SSE

Powering sustainable growth

SSE plc Annual Report 2024

2024 at a glance

SSE met its financial objectives in 2023/24 with the value-generating nature of its diversified business mix offsetting the impact of weather and market conditions. SSE also invested £2.5bn in the vital infrastructure needed for net zero. With a world-class project pipeline and strong balance sheet, the Group is on course to meet its 2026/27 growth targets.

Group operating profit/loss

£2,426.4m
Adjusted

£2,608.2m
Reported

Earnings Per Share

158.5p
Adjusted

156.7p
Reported

Dividend

60.0p

Adjusted investment and capex

£2,476.7m

Safety (TRIR) per 100,000 hours worked

0.20

Economic contribution UK/ROI

£5.96bn/ €1.06bn

Turn to page 56 for more information

There's more online

Stay up to date with news from SSE and its operations at sse.com

ABOUT OUR REPORTING

The Annual Report is the centrepiece of SSE's communications to shareholders and wider stakeholders. It aims to give a fair, balanced and understandable overview of progress during the year, meeting the spirit as well as the letter of all reporting requirements.

SSE supports the evolving sustainability reporting standards, which aim to ensure companies tell an integrated story, and the Company's sustainability disclosures are based on the 'double materiality' principle. SSE's material sustainability disclosures are included here, with additional detail in the separate Sustainability Report, published at the same time. The reporting suite below is available on sse.com

– Annual Report
– Sustainability Report
– Net Zero Transition Report
– Just Transition Report
– Risk Report
– Inclusion and Diversity Report
– Annual Report in Single Electronic Format (ESEF)

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 from page 190. The Alternative Performance Measures SSE uses might not be directly comparable with similarly titled measures used by other companies.

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.

Our purpose

SSE is a leading generator of **renewables** and **flexible** energy in the GB and Ireland markets, and one of the world's fastest-growing electricity **networks** companies.

Our **purpose** is to provide energy needed today while building a better world of energy for tomorrow.

Our **vision** is to be a leading energy company in a net zero world.

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

Our story

Leading the energy transition

The shift to net zero affects us all. It is urgent, gathering pace and it will transform people's lives. At SSE, we have a clear focus on electricity infrastructure as the key to unlocking decarbonisation. Our growth helps power (and is powered by) society's drive to develop a clean, secure and affordable energy system.

We have a rich heritage in clean energy …

The SSE story stretches back to the earliest days of hydro-electricity and today the Company is a leading generator of renewable and flexible energy and one of the world's fastest growing electricity network operators.

80 years
Experience in renewable energy

Visit www.sseheritage.com for more information

… a purpose and culture in which people believe …

SSE's purpose is delivered by highly capable employees and contractor partners who are building a better world of energy, guided by a culture of "Doing the Right Thing" for people and the planet.

91.3%
Employee retention rate

Turn to pages 38 to 45 for more information

… and a balanced portfolio of assets and businesses.

SSE's very deliberate mix of market-based generation assets, regulated electricity networks and customer-facing businesses gives the Group resilience across the clean energy value chain.

90%
Capex dedicated to renewables and networks

See our business model on page 6 and our Business Unit operating review on page 68

Our strategy is tackling climate change head-on ...

The NZAP Plus investment plan is SSE's strategy in action. It is accelerating the build-out of renewables, system flexibility and electricity networks that will be needed to reach net zero.

c£11m
Expected daily spend on infrastructure to 2027

For more on our strategy in action turn to page 16

... creating lasting value for our stakeholders ...

Alongside generating returns for investors, SSE makes a major contribution to society through paying taxes, creating jobs and providing critical national infrastructure.

£679.2m/€68.0m
Taxes paid in UK and Ireland in 2023/24

For more on our engagement with stakeholders turn to page 14

... while ensuring a just transition to net zero.

SSE recognises that decarbonising the economy will be disruptive, so it is creating job opportunities while working with policymakers and communities to make sure no one is left behind.

35%
Of new recruits are former high-carbon workers

Turn to page 38 for more on our Just Transition Strategy

The future energy system

The building blocks of a better world of energy

To ensure a just transition to a decarbonised world, society needs energy that is...

Sustainable

Because it is generated in a way that helps meet ambitions to maintain a 1.5°C global warming pathway

Secure

Because it is resilient and adaptive in the face of system variability, market volatility and geopolitical events

Affordable

Because it is provided by cost-effective electricity generation and transportation technologies, meaning that no-one is priced out of the transition to net zero

At SSE, we're helping to create a new type of power system that is dominated by clean renewable energy, flexible generation and net zero ready grids...

Renewables

The future is electric, and our renewables generation – onshore and offshore wind, hydro power, and solar – is replacing energy formerly generated using high-carbon emitting fossil fuels.

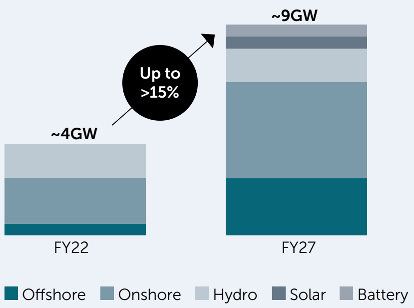
Flexibility

Efficient gas-fired power stations, hydrogen and carbon capture and storage technologies, alongside pumped storage hydro and, increasingly, batteries will play an important role in meeting electricity demand. They are key to an orderly transition, balancing the system when the wind doesn't blow, or the sun doesn't shine.

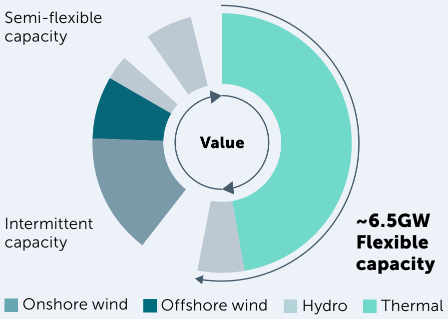
Networks

Regulated networks businesses are critical to meeting the exponential rise in electricity demand. Our transmission network is the fastest growing in Europe, connecting the wealth of renewables in the north of Scotland with urban centres of demand, while our distribution business's localised grids are key to an electrified energy system.

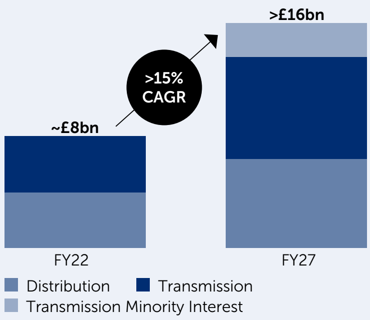
5GW net renewable capacity additions



~6.5GW flexible generation capacity



>£16bn Gross RAV by FY27



Assessing the impact of future climate scenarios

Supporting a just transition to net zero by developing, building, operating and investing in low-carbon electricity infrastructure is at the heart of everything SSE does. Accordingly, climate-related matters are fundamental to the Company's activities and its future is intrinsically linked to likely global warming scenarios.

To reflect this, and to meet the spirit as well as the letter of the Task Force on Climate-related Disclosures ('TCFD') framework, SSE has changed how it reports against it. TCFD-related content provided in previous annual reports as a separate subsection has been embedded throughout the Strategic Report and Governance sections.

SSE's compliance statement and summary of reporting against the TCFD disclosures, with cross-references to relevant information, can be found on page 98.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

How we create value

Our business model

We are developing, building, operating and investing in our unique portfolio of assets across the electricity value chain.

How we are structured

Index-linked earnings from economically-regulated networks offset inherent risk in market-facing businesses

Renewables — Flexibility

Networks

SSE Renewables
Providing clean and affordable home-grown energy
M

SSE Thermal
Balancing the market with flexible generation
M

SSEN Transmission
Enabling net zero by connecting renewables to centres of demand
R

SSEN Distribution
Bringing net zero to the doorstep by decarbonising streets and homes
R

Energy products and services

Energy Customer Solutions
SSE Airtricity and SSE Business Energy provide a shopfront for the Group's renewable generation output
M

SSE Enterprise
Bringing low-carbon solutions to business-to-business markets
M

SSE Energy Markets
Trading commodities, securing value for SSE's assets and managing volatility
M

SSE has a very deliberate mix of market-based and economically-regulated businesses that span the clean energy value chain. The Group's synergies and natural hedges, along with our world-class assets and balance sheet strength, enable us to create lasting value in a highly complex operating environment.

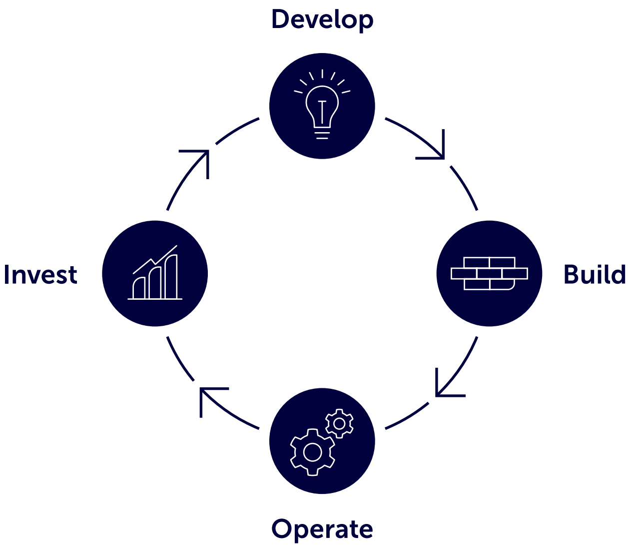
sse | For a better world of energy

Corporate services
Providing cost-effective shared services and strategic direction across the Group

Key: M Market-focused businesses R Economically-regulated businesses

What we do

We drive progress towards net zero by developing, building, operating and investing in clean, secure and affordable electricity infrastructure needed for the energy system of tomorrow.



The relationships and resources we rely on

Employees
Our strategy and success are dependent on the shared talent, diversity, innovation and values of the people we employ.

Energy customers
Consumers create demand for our energy and services.

NGOs, communities and society
We need the support of the communities we work in and the backing of civil society to pursue a just transition to net zero.

Natural environment
From wind and water used to produce energy, to materials used to build energy infrastructure, natural resources are essential to what SSE does.

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

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

Suppliers, contractors and partners
We rely on a healthy supply chain and work with partners whose capabilities offer synergies for innovative project development and efficient ownership structures.

The value we create

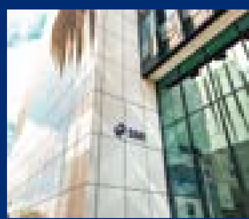
c14,000*
Direct employees
Turn to page 38

£12.2m
Investment in communities
Turn to page 40

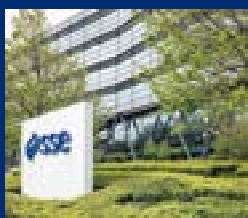
£2.5bn
Investment in net zero infrastructure
Turn to page 59

c5m
Customers served
(Networks and supply)
Turn to page 33

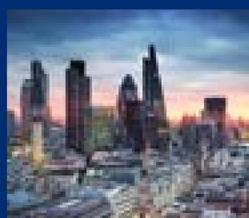
£5.5bn
Supplier spend
Turn to page 36



60p
Dividend (full year)
Turn to page 60



£679m/€68m
Taxes paid UK/ROI
Turn to page 39 and 67



£18bn
Market capitalisation
(as at 29 March 2024)

* Excludes 1,089 employees related to the reacquisition of Enerveo (formerly SSE Contracting) in March 2024.

Chair's statement

Delivering on our promise

We can look back on 2023/24 as another year in which SSE's integrated portfolio delivered on our promise to create value for our shareholders and society. At the same time, while delivering significant investment through our net zero-focused strategy, we continued to play our part in transforming the energy system while leaving no one behind.

Our values:

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

Service
We can be relied upon to deliver

Efficiency
We focus on adding value

Sustainability
We do the right thing for people and the planet

Excellence
We innovate to improve the way we do things

Teamwork
We work together in an inclusive and collaborative way

The objective of this Annual Report is to provide the disclosures that meet our statutory reporting requirements and to describe how our actions have aligned to our purpose to provide energy needed today while building a better world of energy for tomorrow.

Our business is linked to international market forces, and the domestic and international policy environment. The decisions we made and the actions we took in the year were influenced by societal, environmental, commercial and political factors. Society expects a future energy system that is clean, secure and affordable, and we are working to help deliver that outcome.

Our place in the world

SSE is providing renewables, flexible generation and storage technologies, and strengthened networks that will help address the threat posed by global warming. The climate emergency is at the very heart of SSE's net zero-focused strategy. It is also the impetus behind our 2030 Goals and the science-based targets that support them. In this report we have set out the climate-related opportunities and risks to our business and, specifically from page 98, where we have used global warming scenarios between 1.5°C and 4°C to assess and illustrate our strategic resilience. The conclusion of that scenario analysis is very clear: These scenarios show that for SSE the opportunities are greater than the risks, and are greater under 1.5°C scenarios than any of the less ambitious emission reduction pathways.

The commodity market turmoil that followed Russia's invasion of Ukraine receded in 2023/24, despite conflict in the Middle East, with power and carbon prices softening, creating a more challenging operating environment. Against this backdrop, our very deliberate mix of market-facing and economically-regulated businesses continues to offer stable economic returns for the Group as a whole, while providing multiple options for continued investment.

In March 2023 we noted publication of the UK Government's long-awaited Review of Electricity Market Arrangements (REMA), which contains many proposals to help accelerate the market transition. We remain concerned that proposals for zonal pricing in the UK wholesale energy market, which

"

SSE is providing the renewables, flexible generation and storage technologies, and strengthened networks that will help address the existential threat posed by global warming."

Sir John Manzoni

are among the options under consideration, risk increasing uncertainty and hence delaying investment at the moment we need to accelerate. But we welcomed recognition of the pressing need for new flexible capacity from the end of the decade, while making the case that the Government must establish concrete tests to ensure any new development is capable of rapid decarbonisation to avoid locking in carbon emissions.

A healthy business culture

Against this backdrop we performed well in the year. This is testament to our delivery-focused management team and a highly capable, engaged employee base. Their commitment, and their belief in the value of doing the right thing in pursuit of our purpose, is the secret to SSE's success. Our thanks go to all our employees, contracting partners and their families for their dedication and hard work over the last year.

At SSE we define a healthy, ethical business culture as Doing the right thing. This is tied to six core values: Safety, Service, Efficiency, Sustainability, Excellence and Teamwork (the "SSE SET"), that underpin the execution of our vision, purpose and strategy, and guide our decision-making and interactions with stakeholders.

Our values are well established but we recognise that in a changing world it is important – particularly for a growing business with an evolving employee base – that they continue to inspire the behaviours we expect. It was gratifying, therefore, that an exercise in the year to test the relevance of the SSE SET found that it still resonates with colleagues. In response to what we heard we refreshed the way we talk about what the values mean in practice and the descriptors shown on the opposite page are now more focused and better reflect our ethical ways of working. See page 40 ❯ for more on our values.

Safety is our number one value and we are deeply saddened by the loss of Richard Ellis, the employee of a contract partner, who died in an offsite incident in October 2023. Our thoughts remain with Richard's family, friends and colleagues. Among the direct SSE workforce, there was a marked improvement in safety performance in 2023/24, with a Total Recordable Injury Rate (TRIR) measure of 0.07 matching our best performance year. Combining our contractor and direct workforce, the TRIR was 0.20, up from 0.19 in the previous year. We are refocusing our efforts to ensure everyone on an SSE site is kept safe.

The Board monitors culture closely and engages frequently with employees to understand how well it is embedded. We believe that the workplace we provide should be safe and the teams within it should be inclusive and reflective of the community. SSE's Inclusion and Diversity Strategy provides a voice for under-represented groups and invests in leadership programmes that set an inclusive tone from the top, among other measures, and I am heartened by the progress we are making in creating a workplace that welcomes people from all walks of life.

Working for all stakeholders

The close reciprocal relationship between employees and the Company gives them a critical role in delivering our strategy, but they are not the only group we rely on. We value the ongoing support of our shareholders who have voted in favour of our Net Zero Transition Plan for three consecutive years. We actively and constructively engage with politicians and regulators as a partner in developing and advocating for a policy environment which can deliver the best and fastest transition to net zero for customers, society and the environment. We work closely with our development and construction partners to address ongoing supply chain constraints and contractor safety performance. And we engage actively with communities to balance the necessary infrastructure investment with local concerns and with the impact of our work on the natural environment. See page 14 ❯ for more on our stakeholder engagement.

This engagement is guided by our commitment to leaving no-one behind in what should be a just transition to net zero. Job creation is part of that, particularly for people moving from careers in high-carbon industries, with 35% of our new recruits coming from such backgrounds last year. More broadly, we believe the economic prosperity stemming from delivery of our strategy, coupled with our environmental, social and governance (ESG) impacts – from our carbon targets, contribution to GDP, supply chain support, and payment of Fair Tax and the Living Wage – reflect the needs of our stakeholders.

Good governance at work

The Board's deliberations in the year were focused on areas including safety performance; progress of NZAP Plus investments; strategic direction and opportunities at home and abroad; the policy environment, and the impact of innovation, AI and cyber risk on our plans.

Good governance benefits from fresh perspectives and I was pleased to welcome two new Board members, Maarten Wetselaar and Barry O'Regan, in the course of 2023. As a non-Executive Director, Maarten has significantly enhanced our energy sector capabilities with his global outlook while Barry, as Chief Financial Officer, has already proved to be a worthy successor to Gregor Alexander who stood down as Finance Director in December 2023. Our thanks go to Gregor for a remarkable 32 years with the Company, and we wish him the best for the future. Thanks too go to Peter Lynas who stepped down having served nine years on the Board.

These and other Board movements, including General Counsel Liz Tanner's appointment as Company Secretary, are set out in detail on page 120 ❯. They join a Board that is committed to exercising its duty under Section 172 of the Companies Act 2006 to promote the long-term success of SSE while considering all stakeholders.

The Board is proud of the work SSE does in pursuit of its purpose, and confident that the Company will continue to be central to the transition to net zero, and hence contribute to a sustainable future for our societies.

Sir John Manzoni
Chair, SSE plc

21 May 2024

I confirm that this Strategic Report and the S172 Statement on **page 132** ❯ have been approved by the Board. We have sought to maximise transparency and improve our disclosures in a number of areas within this Strategic Report. This includes the integration of TCFD reporting and providing greater visibility of the correlation of KPIs and Directors' remuneration. We hope that you find these changes helpful and, as always, we welcome any feedback on the report and the matters covered within it as we continue the work of taking the Company forward.

Chief Executive's review

A year of strategic acceleration

Progress against the NZAP Plus in 2023/24

Capital investment
£2.5bn

Adjusted EPS
158.5p

Dividend per share
60p

Ratio of net debt to EBITDA
3.0x

Total electric networks RAV
£11bn

Total renewable generation capacity MW[1]
4,457

1 Inc. pumped storage

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. As a national clean energy champion we are accelerating renewables, providing vital flexible generation back-up, and transforming electricity networks.

As the task of decarbonisation becomes ever more urgent in our warming world, so does the demand for what SSE has to offer in building a clean, secure and affordable energy system. I'm pleased to be able to say that in 2023/24 we were able to go further in our response to that demand with an acceleration of our plans and projects – investing with discipline and at scale in a decarbonised energy future.

The practical application of our strategy, the Net Zero Acceleration Programme Plus, was upgraded twice in the course of the year, most recently in November 2023 when capital investment expectations for the five-year plan to FY27 were lifted to a fully-funded £20.5bn. Some 90% of that figure is earmarked for renewables and electricity networks, with greater visibility of growth opportunities in SSEN Transmission accounting in large part for the forecast increase in spending. The agility of the Group business model and the issuance of sustainable finance in the form of Green Bonds has enabled us to pivot capital to where it will have the biggest impact on net zero and create the greatest value.

The progress described on these pages was thanks in large part to the commitment of 14,000 highly talented colleagues and contract partners to a purpose that is having a positive impact on people and the planet. Providing a safe, inclusive working environment for those colleagues and contractors will always be our top priority. We are still feeling the sad loss of Richard Ellis, the employee of a contract partner, who died in October. The efforts we are making to keep everyone on an SSE site safe are explained in more detail on page 41.

Closing in on our goals

While the resilience of our integrated business model ensured we met our financial expectations in 2023/24, our ultimate focus is on delivery of our plans to 2026/27. If we are to reach net zero, the power system of tomorrow will need to be dominated by renewables, supported by flexible generation that can be switched on and off as needed, and enabled by strengthened electricity networks.

We measure our progress through stretching 2030 Goals and NZAP Plus targets. While the requirements of a future energy system mean there is no guarantee of a perfectly straight line between now and the end of the decade, we were pleased that last year we achieved a significant reduction in our greenhouse gas (GHG) emissions. Performance against our climate targets represented the lowest value on record for SSE's total GHG emissions, scope 1 GHG emissions and carbon intensity, mainly due to a reduction in thermal generation output in the year.

SSE is a long-term business and we always look to the future. We are progressing the projects that will provide our forecast NZAP Plus earnings growth, but targets and goals are ultimately dependent on delivery of assets that are part of multi-year capital programmes. While there were challenges, good progress was made in 2023/24, as highlighted elsewhere on this page and detailed among the key performance indicators on page 20.

Building renewables

We reached a number of strategic milestones in the year while navigating the supply chain challenges that have become a feature of the energy sector in recent years. Working with our joint venture partners, the construction of SSE Renewables' flagship projects continued at pace, with Scotland's largest offshore wind farm, Seagreen, completed in the Firth of Forth.

We have made good progress at Viking, on Shetland, and Yellow River and Lenalea in Ireland, while construction is under way at onshore sites in France and Spain. In-principle planning permission was secured for Berwick Bank's onshore grid connection, but the project – at 4.1GW one of the world's largest offshore wind farms – awaits consent for the offshore array, which is expected in the course of 2024.

These are highly complex projects, however, and not without risk, as illustrated off the Yorkshire coast at Dogger Bank A, the world's largest offshore wind farm under construction, where poor North Sea weather and installation vessel availability resulted in short-term delays.

It was a good auction year for SSE Renewables. In the GB capacity auctions 46 units across 35 sites provisionally secured contracts for 1.1GW of hydro, pumped-storage, battery storage and onshore wind energy. This followed 605MW of onshore wind capacity secured in the earlier Contracts for Difference Allocation Round 5 (AR5), and Yellow River winning a contract in the third RESS process.

Providing flexibility

There were auction successes for SSE Thermal, too, with 1,365MW of derated capacity secured for CCGT generation from our power stations at Keadby in Lincolnshire, and Isle of Grain and Medway in Kent for 2024/25. Looking to the longer term, meeting our target of an 80% cut in the carbon intensity of SSE's generation portfolio by 2030 is contingent on lower-carbon alternatives to existing gas-fired fleet, and this will be a key focus for our new Thermal MD, Finlay McCutcheon.

> "The agility of the Group business model ... has enabled us to pivot capital to where it will have the biggest impact on net zero."
>
> **Alistair Phillips-Davies**

Carbon capture and storage (CCS) and hydrogen offer opportunities for us in the GB market. While CCS and hydrogen form part of UK Government plans for a net zero economy, we have advocated for it to go further, with bolder capacity targets. Likewise, we have long called for supportive policy for long-duration electricity storage projects such as our 1,500MW pumped-storage hydro project at Coire Glas in the Scottish Highlands. Battery storage is another source of flexibility and we now have a secured battery pipeline of 1.1GW, including 620MW already in construction.

Strengthening networks

The opportunities arising from Ofgem's Accelerated Strategic Transmission Investment (ASTI) programme and Large Onshore Transmission Investment (LOTI) Uncertainty Mechanism, are game changing. With combined costs for 11 major projects estimated at £20bn, and a further £5bn identified under Ofgem's "Beyond 2030" plan, SSEN Transmission is now at the centre of the Group's growth plans.

Meanwhile, we are getting on with delivering critical grid infrastructure that is so vital to the future energy system. Good progress has been made on enabling work for the Eastern Green Link 2, or EGL2, which is the HVDC undersea link from Peterhead to Yorkshire. Elsewhere, excellent progress was made on major RIIO-T2 projects, notably with the pioneering High Voltage Direct Current (HVDC) Shetland link where all 260km of the subsea cable was laid in 2023 and the project remains on track for full energisation in summer 2024.

Delivering in Distribution

The immediate impact of climate change is keenly felt in SSEN Distribution, where increasingly extreme weather events test network resilience. The business has met this immediate challenge with operational improvements that have significantly reduced restoration times, while putting net zero at the heart of a strategic investment programme focused on system flexibility.

In December, power was restored to 99% of customers in the north of Scotland within 48 hours during Storm Gerrit. In January, Storm Henk impacted 60,000 customers in the south of England, with our engineers outperforming estimates to restore all supplies within 48 hours. This commitment to keeping the lights on is a source of pride to SSE, but so too is the work being done to design and implement a flexible electricity system fit for net zero. SSEN Distribution contracted more than 700MW of flexibility services in the year and pushed ahead with pioneering forecasting technologies that are helping local governments prepare for increases in clean energy demand.

Supporting customers

Our customer businesses provide a shopfront and valuable route to market for the clean energy we produce. These businesses operate in a highly dynamic market that bore the brunt of the 2022/23 cost of living crisis which, while easing, continues to be felt by many customers. It was therefore pleasing that we were able to respond swiftly with price cuts and pass through lower costs.

Looking to the future

Responding to the needs of energy users in this way is important if we are to take them with us on the journey to net zero. We are determined to make sure a just transition leaves no-one behind, and we actively engage with all of our stakeholders – from customers, and communities living alongside our assets, to elected representatives in our home markets and climate leaders through our involvement at COP28. In doing so we seek outcomes that fit with our high standards for corporate responsibility and create the greatest possible value for all concerned.

SSE's portfolio of regulated and market-based businesses gives us excellent prospects for the coming decade. We have a fully-funded investment plan to FY27 guided by strict capital discipline, a defensive earnings mix indexed to inflation and a strong balance sheet with the majority of debt held at fixed rates. Furthermore, our strategy has the benefit of strong policy tailwinds and we remain committed to going further and faster. As we approach elections in the UK, Ireland, the EU and elsewhere, broad consensus remains on the need to slow climate change and SSE stands ready to play its part.

Alistair Phillips-Davies
Chief Executive, SSE plc

21 May 2024

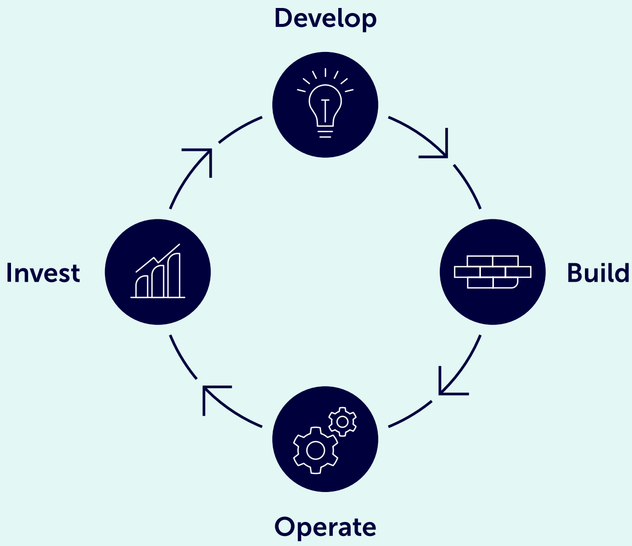
Delivering on our purpose

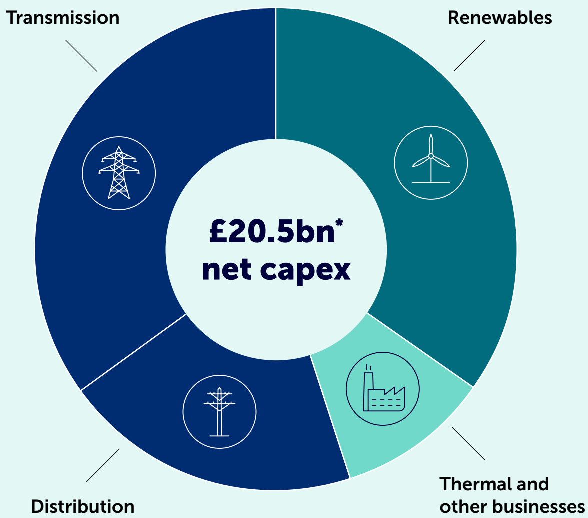
Our strategy

A climate-focused strategy, backed by broad societal consensus on the need for action, and underpinned by clear investment plans and ambitious growth targets.

Our strategy is **to create value for shareholders and society in a sustainable way by developing, building, operating and investing** …

… **in electricity infrastructure and businesses needed in the transition to net zero** …





Market-focused businesses	**~45%**
Economically regulated businesses	**~55%**

* Investment over five years under the NZAP Plus.

Net Zero Acceleration Programme Plus (NZAP Plus)

The NZAP Plus is our strategy in action and includes **£20.5bn** of planned capital expenditure, with around **90% for investment in renewables and electricity networks**.

Our balanced portfolio gives us optionality and flexibility – so we can **invest where we see most value** …

... and in doing so, we are delivering on our **2030 Goals** ...

Cut carbon intensity by 80%

See pages 25 and 28

13 CLIMATE ACTION

Increase renewable energy output fivefold

See pages 25 and 74

7 AFFORDABLE AND CLEAN ENERGY

Enable low-carbon generation and demand

See pages 25, 70 and 72

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Champion a fair and just energy transition

See pages 25 and 38

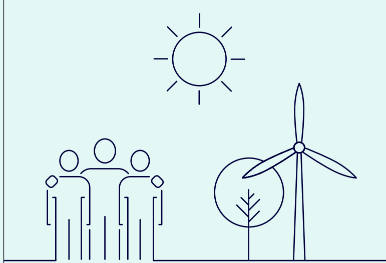
8 DECENT WORK AND ECONOMIC GROWTH

... supporting climate solutions aligned to a 1.5°C pathway, and setting clear medium-term targets for ...

See our progress against our KPIs on page 20 and 2030 Goals on page 25

... that underpin **a purpose** ...

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



... 2027 ...

~9GW
renewables net capacity

>15%
networks gross RAV CAGR

13–16%
adjusted EPS CAGR

5%–10%
forecast annual dividend growth

... which contributes to a **decarbonised future**.

Renewables

Flexibility

Networks

Energy that is:
Sustainable
Affordable
Secure

... and with its **world-class assets and development pipeline, sector expertise and delivery record**, SSE will be central to a decarbonised energy system post-2030.

Our stakeholders

Creating societal value

Partnering with people who have a stake in SSE

Constructive engagement with communities is part and parcel of SSEN Transmission's plans

Identifying our stakeholders

SSE cannot fulfil its purpose without the support of its stakeholders. Under an unwritten social contract, society provides the Company with human capital and grants it the right to earn a profit. In return, SSE strives for a just transition to net zero through safe and reliable provision of energy, critical infrastructure, jobs and tax.

The reciprocal nature of this relationship informs SSE's definition of stakeholders as the people, communities and organisations that have an interest in, or might be affected by, its decisions, actions and operations. By this measure, there are six key stakeholder groups that are the focus of the Company's engagement activities.

The purpose of engagement

The purpose of stakeholder engagement in SSE is to ensure that the perspectives, insights and opinions of stakeholders are understood and taken account of when key operational, investment or business decisions are being taken. This makes those decisions more robust and sustainable, and supports SSE's strategy.

A range of engagement methods is adopted within a strategic framework of business-led and Group-level interaction that seeks to reflect legislative and regulatory requirements while ensuring stakeholder influence on operational plans and strategic objectives.

SSE acknowledges that scenarios do arise where not every stakeholder interest can be addressed completely, but it strives to consider all perspectives.

Our stakeholder relationships

Employees
- Capability and strategic delivery
- Safe, inclusive workplace

Shareholders and debt providers
- Provision of finance
- Sustainable return on investment

Energy customers
- End-user perspective and billing revenue
- Inclusive supply of energy and services

SSE

Government and regulators
- Policy and regulatory frameworks
- Delivery of energy security and net zero ambitions

NGOs, communities and civil society
- Social and environmental context
- Local investment and job creation

Suppliers, contractors and partners
- Supportive supply chain
- Value creation and economic stimulus

Employees

SSE directly employs around 14,000 people in the UK, Ireland and selected overseas markets.

Why we engage
Engagement helps retain existing talent and attract recruits to what is a rapidly expanding workforce as the Company grows to meet the challenge of decarbonisation.

c14,000*
Direct SSE employees

Read our engagement in action case study on page 40

Shareholders and debt providers

SSE has a large and diverse shareholder and debt provider base.

Why we engage
To ensure strategic decisions are properly informed by those with a financial stake in SSE's long-term success.

£18bn
Market cap as at 29 March 2024

For more on our relationship with shareholders, see page 130

Energy customers

SSE directly serves energy supply customers in the domestic all-island Ireland market and the business-to-business markets in both GB and the island of Ireland. It also provides grid connection to non-direct networks customers in its Distribution and Transmission operating licence areas.

Why we engage
To understand customer expectations and to ensure they are supportive of, and supported in, a just transition to net zero.

c5m
Networks and supply customers

Read our engagement in action case study on page 35

Government and regulators

SSE has a non-partisan Political Engagement Policy under which it engages with the institutions of government in a way that is consistent with its purpose and climate-focused strategy.

Why we engage
Constructive engagement with elected representatives and regulators aims to ensure fair and effective policy frameworks that support investment in critical national infrastructure and serve the best interests of energy customers and the environment.

£2.5bn
Capex invested in infrastructure in 2023/24

For more on engagement with policymakers, see page 19

NGOs, communities and civil society

SSE works in close partnership with numerous third-party organisations.

Why we engage
SSE relies on the support of communities it works in and the backing of civil society as it plays its part in the transition to net zero.

£12.2m
Investment in communities in 2023/24

Read our engagement in action case study on page 37

Suppliers, contractors and partners

SSE relies on a robust supply chain and specialist JV partners to meet its objectives.

Why we engage
Fostering good relationhips and committing to measures such as the Prompt Payment Code helps SSE secure partnership expertise and achieve greatest value from its investments.

c6,825
Number of active suppliers

Read our engagement in action case study on page 41

More on our stakeholders

The role that society has in the transition to net zero puts SSE's stakeholders at the very heart of what SSE does and they are referred to throughout this Annual Report. Disclosures that relate specifically to stakeholders, and case studies of specific engagement activities, are signposted with the icon shown here on the right. A Section 172 Statement and further details of how stakeholder considerations have influenced principal decisions made in the year by the Board can be found from **page 132** of the Governance Report.

* Excludes 1,089 employees related to the reacquisition of Enerveo (formerly SSE Contracting) in March 2024.

Our strategy in action

Powering the transition to net zero

An unwavering focus on developing, building, operating and investing in low-carbon electricity infrastructure drives the long-term value that we create for shareholders and society.

Connecting power for future generations

Link to strategy:

Building

Ofgem's strategic infrastructure frameworks will create some 20,000 UK supply chain jobs, 9,000 of them in Scotland

Transmission infrastructure is critical to bringing renewable energy to the people and businesses that need it – so SSE Transmission is investing £20bn in a transformational programme to connect output from the ScotWind offshore wind project and help power millions of homes.

As part of the UK Government's Accelerated Strategic Transmission Infrastructure (ASTI) programme, this work will create billions in value for the UK and Scottish economies and enable over a fifth of the UK's 50GW offshore wind goal, a key element of Ofgem's Pathway to 2030 and Beyond 2030 initiatives.

SSE is committed to a just transition and SSEN Transmission has engaged with communities and other key stakeholders across the north of Scotland. One of the largest public consultation processes ever seen in Scotland, this exercise is seeking to ensure that all views are heard and factored into decision-making prior to planning applications being lodged for this critical national infrastructure to be developed. This engagement has resulted in a number of changes to construction plans in direct response to community feedback.

The Pathway to 2030 programme will support 20,000 UK supply chain jobs – 9,000 of which will be in Scotland – providing significant local and national economic opportunities, including legacy benefits such as a commitment to support the delivery of 200 new homes across its network area and the development of a new and ambitious networks community benefit fund.

Key projects include the Eastern Green Link 2 (EGL2), a 525kV, 2GW high voltage direct current (HVDC) subsea transmission cable from Peterhead in Scotland to Drax in England. A joint operation with National Grid, EGL2 will be the longest HVDC cable in the UK and the UK's single largest electricity transmission project ever, providing enough electricity to power 2 million UK homes.

In building EGL2, SSEN Transmission will draw on lessons learned from the success of its pioneering 260km Shetland HVDC link. On course for completion in summer 2024, the Shetland link will connect 600MW of clean, renewable electricity generation – including from the 443MW Viking wind farm – supporting national net zero and energy security targets.

In March 2024, SSEN Transmission welcomed National Grid ESO's upweighted Beyond 2030 plan, which confirmed the need for an additional £5bn investment out to 2035 to unlock a further tranche of ScotWind output.

For more detail, turn to the Business Unit Operating Review on page 70

Building renewables needed for net zero

Link to strategy:

Building

Large capital projects that spur renewable electricity generation are at the heart of building the energy system of the future – and working with contract partners, stakeholders and communities, SSE made significant progress in 2023/24.

SSE Renewables led the development and construction of Seagreen, partnered by Total Energies, and will operate the offshore wind farm during its lifetime. First power was achieved in August 2022 and Seagreen became fully operational in October 2023, with 114 turbines on the 1.1GW site generating enough clean, renewable energy to power almost 1.6 million homes annually.

The world's largest offshore wind farm under construction, Dogger Bank, started producing electricity for the first time in October 2023. The 3.6GW wind farm is being constructed 130km off the coast of Yorkshire and in three 1.2GW phases known as Dogger Bank A, B and C. While the project has experienced delays due to availability of support vessels, the installation of foundations, 95 monopiles, transition pieces and inter-array cables are all going well at Dogger Bank A and power is being transmitted via a high-voltage direct current (HVDC) system in a technological first for the UK offshore wind sector.

Elsewhere, the last of 103 turbines was installed on Shetland at Viking, which at 443MW will be the UK's most productive onshore wind farm, powering around 500,000 homes. Good progress was made on Yellow River, a 29-turbine, 101MW wind farm development in central Ireland. Also in Ireland, the 30MW Lenalea wind farm in County Donegal saw the installation of its seventh and final turbine.

Outside of SSE's home markets in GB and Ireland, construction also started in 2023/24 on two onshore wind farms in Europe: Chaintrix-Bierges (28MW) in northern France and Jubera (64MW) in Spain.

Battery energy storage systems (BESS) will have an increasingly important role to play in the energy mix and good progress was made by SSE Renewables with a combined 670MW under construction at Fiddlers Ferry, Ferrybridge, Salisbury and Monk Fryston, with the latter set to be the largest plant of its kind in the UK.

For more detail, turn to the Business Unit Operating Review on page 74

Seagreen, in the Firth of Forth, can power almost 1.6 million homes annually

Bringing the energy transition to life

Link to strategy:

Operating

SSEN Distribution plays a vital bridging role between low-carbon generators and the consumers they are seeking to supply as the electrification of heat and transport gathers pace. Within its current price control, RIIO-ED2, the business is identifying parts of its north and south licence areas where solutions on the network can mitigate constraints on new generation capacity coming onto the system and accelerate the transition.

SSEN Distribution's Distribution System Operations (DSO) team is leading the way in designing and implementing a smart, flexible, electricity system which will be fit-for-purpose for future needs.

Through its Distribution Future Energy Scenarios SSEN Distribution forecasts future demand growth and the uptake of low-carbon technologies, renewables and other distributed energy resources (DERs).

Forecasting ensures the approach is tailored to individual communities by reflecting local environmental influences, the existing local network infrastructure and societal influences such as age demographics, employment and economic factors.

SSEN Distribution has also onboarded the first group of five local authorities to have signed up to its innovative new Local Energy Net Zero Accelerator (LENZA) demand forecasting tool.

LENZA empowers local authorities to make better decisions about where to put new energy assets like electric vehicle (EV) chargers, or where to roll out low-carbon programmes. It uses a traffic-light system to show whether a new energy asset could be accommodated on the existing network or if further development is required.

For more detail, turn to the Business Unit Operating Review on page 72

> "LENZA empowers local authorities to make better decisions about where to put new energy assets."

Through its LENZA initiative, SSEN Distribution is helping to bring net zero a step closer

Leading the way on sustainable finance

Link to strategy:

Investing

The strategic progress described in these pages is made possible by a capital expenditure programme that has been increasingly funded by sustainable finance in recent years.

SSE is the UK's largest issuer of Green Bonds, issuing seven in the past eight years that have been well received by the market and routinely oversubscribed.

Green Bonds offer an attractive proposition to investors looking to channel finance into infrastructure that will help meet net zero targets.

In the course of 2023/24 two such instruments – an eight-year €750m Green Bond issued on behalf of SSE plc and a 20-year £500m Green Bond issued on behalf of SSEN Transmission – took the total value of outstanding Green Bonds issued by the Group to £3.7bn.

Most of the proceeds from the €750m bond, issued in August 2023, were used to fund SSE Renewables' Viking wind farm project on Shetland.

Green finance will also help to finance and/or refinance SSEN Transmission's substantial pipeline of critical national infrastructure projects, planned for delivery by 2027.

The £500m bond was issued in January 2024 in response to greater visibility over future growth through Ofgem's Large Onshore Transmission Investments (LOTI) reopener and the Accelerated Strategic Transmission Investment (ASTI) framework, with proceeds earmarked to finance and/or refinance work being done by SSEN Transmission to reinforce and grow the electricity network in the north of Scotland.

For more on green finance, see pages 30 and 64

Viking wind farm is among the successful recipients of contracts from the AR5 round

Winning contracts in a competitive market

Link to strategy:

Developing

The critically important role that SSE's assets have to play in the wider energy system was underlined by a string of capacity auction successes in 2023/24.

SSE Renewables was successful in the UK's fifth Contract for Difference (CfD) Allocation Round (AR5) and is set to be awarded 15-year contracts for low carbon power for over half a gigawatt of new onshore wind generation.

Viking wind farm, along with the Strathy South, Aberarder and Bhlaraidh project extensions secured CfDs for a total of 605MW of new renewable energy. Each project will receive the guaranteed strike price of £52.29/MWh, based on 2012 prices but annually indexed since then for CPI inflation.

SSE did not bid for offshore contracts under AR5, however – a decision taken in line with a firm commitment to capital discipline and a determination to optimise returns from what is a world-class development pipeline.

In Ireland, Yellow River secured a CfD for a maximum of 16.5 years under the Irish Government's Renewable Electricity Support Scheme (RESS-3) auction.

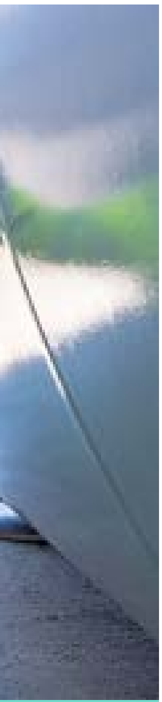
SSE Thermal secured provisional agreements for 1,365MW of de-rated electricity generation capacity for the delivery year 2024/25 at the GB T-1 auction. This includes the Keadby 1 Power Station in North Lincolnshire (692MW) and the Medway Power Station on the Isle of Grain (673MW). Agreements were awarded at an auction clearing price of £35.79/kW.

Further value was unlocked by hydroelectric, pumped storage, battery storage and onshore wind assets in the T-4 auction for the delivery year, 2027/28. SSE plant in Scotland and England secured agreements for 1,148MW of de-rated electricity generation capacity. These include one-year contracts for 1,074MW of de-rated hydro-electricity generation and pumped storage capacity, and 15-year agreements for battery storage at Monk Fryston, Ferrybridge and Fiddlers Ferry.

There were auction wins too for SSE Thermal in the GB four-year ahead capacity market, with all of the business's wholly-owned and Joint Venture CCGTs securing contracts at a record-high clearing price.

Securing such long-term contracts underpins SSE's stable index-linked earnings and supports its business model as it creates lasting value.

For more detail, turn to the Business Unit Operating Review page 75 and 77



Supporting the push for faster climate action

Link to strategy:

Investing

At a time of widespread political consensus on the need to speed up deployment of large-scale clean energy infrastructure, SSE regularly engages with the UK and Irish governments on delivering its NZAP Plus investment programme.

In the UK, SSE has continued to engage stakeholders across the political spectrum on the steps needed to bolster energy security, create green jobs and meet climate goals. SSE published a set of policy proposals in a document titled, From Ambition to Action: A delivery plan for cleaner, homegrown energy which provided the foundation for SSE's political advocacy over the past year.

SSE has established a reputation as a clean energy champion and a trusted voice amongst political stakeholders; as reflected in Chief Executive Alistair Phillips-Davies's role as energy sector adviser to the UK Prime Minister and his seat on the government's Net Zero Council.

Alongside domestic engagement, SSE was part of the Global Renewables Alliance campaign that took part in the Conference of the Parties (COP28) at which 130 countries signed up to a pledge to triple renewable energy capacity and double energy efficiency by 2030.

For more on the interaction between individual Business Units and policymakers, turn to pages 70, 72, 74 and 77

Hosted in Dubai, COP28 marked the year of the global stock-take of the Paris Agreement – a pivotal point in the COP process to ensure the world gets back on track and nations are held to account for delivering on their environmental targets. A last-minute agreement pledged to 'transition away from fossil fuels' for the first time, helping to shift the dial.

It is non-state actors, including regional and local governments, and businesses like SSE, that will ultimately implement climate pledges. SSE remains committed to supporting the COP process and will continue to call for more ambitious policy.

To help accelerate conversations, and widen its stakeholder reach, SSE has also grant-funded work by the Oxford Smith School looking at how to deploy clean energy in the global south.

> "It is non-state actors, including regional and local governments, and businesses like SSE, that will ultimately implement climate pledges."

The Labour leadership team was among a range of political visitors to SSE in the year

How we performed

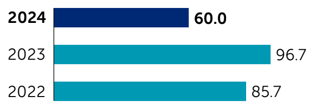
Our KPIs

We use a number of key measures to track our financial and operational performance, progress against UN-aligned goals and efforts to keep people safe.

Financial performance

Dividend per share
(pence) R

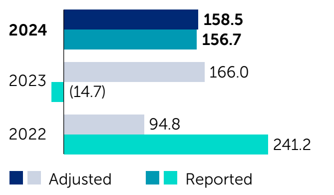
60.0



Performance
The recommended full-year dividend, rebased in 2023/24, is in line with SSE's growth-enabling, five-year dividend plan to 2027.

Adjusted and reported earnings/losses per share
(pence) APM R

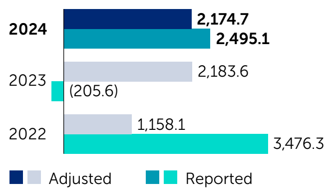
158.5



Performance
Results in 2023/24 are attributable to the resilience of SSE's balanced business mix. Adjusted EPS gives a meaningful measure of performance over the medium term.

Adjusted and reported profit before tax
(£m) APM

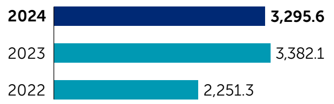
2,174.7



Performance
The reported figure for 2023/24 reflects positive movement in operating and financial derivatives, combined with favourable movement in commodity stocks held at fair value.

Adjusted EBITDA
(£m) APM R

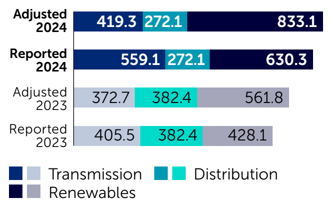
3,295.6



Performance
Extracting interest, tax, depreciation and amortisation from earnings offers a good measure of operational performance, which was strong in the year thanks to a balanced mix of businesses.

Adjusted and reported operating profit by business
(£m)

419.3
Transmission
272.1
Distribution
833.1
Renewables



Performance
Combined, SSE's renewables and electricity networks businesses accounted for more than 60% of Group adjusted operating profit.

Combined networks Regulated Asset Value
(£bn) R

10.9

Performance
Accelerated build-out and reinforcement of SSE's three economically-regulated electricity networks contributed to higher RAV values in the year.

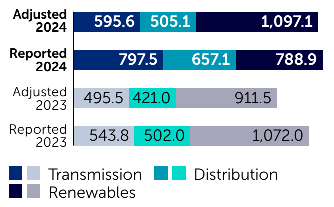
Adjusted investment, capital and acquisitions
(£m)

2,476.7

Performance
A year-on-year reduction in was due to prior-period acquisition expenditure related to the purchase of the Southern European onshore wind development platform and Triton Power Holdings.

Adjusted and reported capex by core business
(£m) R

595.6
Transmission
505.1
Distribution
1,097.1
Renewables



Performance
Regulated electricity networks and renewables are SSE's primary growth engines, accounting for the bulk of capex in the year.

Linking performance to pay
SSE's Remuneration Policy is linked to both operational and financial performance. The individual targets and measures used by the Remuneration Committee to inform decisions on Directors' pay have been indicated on these pages with the symbol shown here on the right. See the Remuneration Report in full from page 158.

Key: R KPI linked to remuneration

Performance against 2030 Goals

Cut carbon intensity by 80%

UNSDG 13

Scope 1 GHG intensity (gCO_2e/kWh) R

205

Performance
SSE saw a 19% reduction in scope 1 GHG intensity, its lowest recorded, largely due to a drop in thermal generation output.

Increase renewable energy output fivefold

UNSDG 7

Renewable generation output (GWh)* R

11,158

Performance
Output growth reflected additional operating capacity which more than offset lower wind speeds in Scotland.

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

Enable low-carbon generation and demand

UNSDG 9

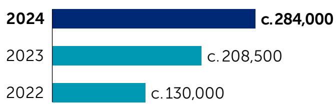
Renewable capacity connected within SSEN Transmission network area (GW) R

9.3

Performance
SSEN Transmission is on track to exceed its RIIO-T2 goal to deliver an electricity network in the north of Scotland with the capacity and flexibility to accommodate 10GW of renewable generation by 2026.

Pure electric or plug-in hybrid vehicles registered in SSEN Distribution's licence areas R

c. 284,000



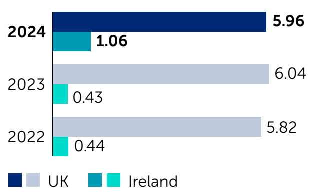
Performance
SSEN Distribution continued to progress several key innovation projects with partners to support flexible markets and future infrastructure provision for the mass adoption of electric vehicles.

Champion a fair and just energy transition

UNSDG 8

Contribution to GDP UK (£bn/€bn)

5.96/1.06



Performance
SSE's GDP contribution in the UK remained fairly consistent between 2022/23 and 2023/24, and saw a significant increase in Ireland over the same period.

Jobs supported in UK and Ireland

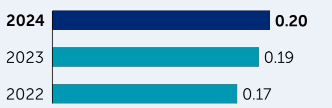
56,500

Performance
An increase in SSE's activity over the financial year has resulted in a rise in total jobs supported, with SSE supporting 53,230 and 3,270 jobs in the UK and Ireland respectively.

Safety performance

Total Recordable Injury Rate per 100,000 hours worked (employees and contractors) R

0.20



Performance
Contractor performance continued to impact SSE's combined safety measure in the year.

Sustainability

Short-term progress with long-term goals in sight

Helping to build a future energy system based on renewables, flexibility and networks is the most important contribution to a sustainable future that SSE can make. Doing that in a way that delivers high-quality careers, and an enhanced natural environment, supports SSE's own long-term sustainability too.

The achievement of social, economic and environmental sustainability is a long-term, multiyear pursuit of value and balanced impact. With SSE's key business goals to 2030 getting closer, important progress was made in the financial year 2023/24. Perhaps the most important of which was a significant reduction in the carbon intensity of electricity generated down to 205 grams of carbon dioxide equivalent per kilowatt hour of electricity generated. Of course, we know that emissions trajectories are unlikely to follow a straight line downwards, nevertheless the achievement of SSE's lowest recorded climate impact from the generation of electricity is something to be welcomed.

As SSE ramps up its capital delivery programme, there are many social and environmental issues to be carefully managed. The expansion of SSE's direct workforce, up by over 1,700 year-on-year, to support that programme is very positive and we are particularly pleased to see the increasing numbers of colleagues joining from former high-carbon industries. SSE deliberately seeks to attract those from high-carbon industries, making our contribution to an economy-wide 'just' transition to net zero and, in 2023/24, 35% of SSE's new recruits originated from high-carbon roles. Their skills and enthusiasm are making an important contribution to SSE's culture and growth.

The development of large capital projects – from renewables to transmission infrastructure – means we are engaging and consulting with communities and stakeholders at an unprecedented scale. Levels of engagement are high, so too is the multitude of perspectives to respond and adapt to. We aspire to the maximum transparency possible, and at all times seek constructive relationships with an array of important stakeholders – from host communities, to regulators and conservationists. The achievement of the 'advanced' rating by SSEN Transmission and Distribution in 2023/24 under the independent AccountAbility audit is an important proof point in that approach.

An important characteristic of SSE's energy assets relates to where they are located. With hydro, wind, distribution and transmission infrastructure often located in rural and remote places, our co-existence with Scotland, England and Ireland's natural heritage is something we are acutely aware of. It is for this reason that we are pleased to be able to report progress against our commitment to ensure that future infrastructure projects leave the natural environment in a healthier state than it was before construction.

At SSE we've set four 2030 Goals aligned to the UN Sustainable Development Goals (SDGs) most material to our business. The past 12 months within SSE have seen important milestones towards the achievement of these long-term goals. There remains, nevertheless, much yet to do and we look forward to making further progress in the year ahead.

Rachel McEwen
Chief Sustainability Officer, SSE plc

21 May 2024

Progressing towards 2030 Goals

Cut carbon intensity by 80%

13 CLIMATE ACTION

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

SSE's scope 1 GHG intensity

2017/18
307gCO_2e/kWh

2030
61gCO_2e/kWh

2023/24
205gCO_2e/kWh

Read more on pages 28 to 32

Increase renewable energy output fivefold

7 AFFORDABLE AND CLEAN ENERGY

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

Total renewable generation output*

2030
50TWh

2023/24
11.2TWh

Read more on pages 33 to 35

Enable low-carbon generation and demand

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.

2030
20GW

2023/24
9.3GW

c. 284,000
pure electric or plug-in hybrid vehicles registered

c. 45,300**
heat pumps connected

Read more on pages 36 to 37

Champion a fair and just energy transition

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.

£6.86bn
contribution to UK and Irish GDP

10
consecutive years as an accredited Living Wage employer

Read more on pages 38 to 45

* Includes pumped storage, biomass and constrained off wind in GB.
** SSEN Distribution now uses source data from the UK Government's Microgeneration Certification Scheme (MCS) to measure progress against this goal. Restated 2022/23 figures can be found in SSE's Sustainability Report 2024.

Driving sustainability at SSE

A framework for a sustainable business

Due to the essential nature of SSE's activities, sustainability has naturally been a long-standing feature of its business model, embedded at the heart of its strategy. It provides a framework that guides decisions as it transitions to net zero, ensuring it is done in a way that creates and shares value with stakeholders.

Sustainability is articulated at the highest level, with SSE's business strategy aligned to the UN's Sustainable Development Goals (SDGs). To embed this approach throughout the organisation, SSE has identified four SDGs which are highly material to the business, and to which it has linked its four core business goals for 2030. These 2030 Goals are focused on addressing the challenge of climate change in a way that is fair to working people, consumers and communities. SSE has identified a further three material SDGs, which are focused on the environment and guide the pillars of SSE's Environment Strategy.

This framework allows SSE to navigate complex of economic, social and environmental impacts and address them in a balanced way to ensure the best outcomes for stakeholders.

Ensuring accountability for sustainability

Reinforcing SSE's commitment to sustainability, sustainability-linked metrics and targets form part of executive performance-related pay. Progress against SSE's 2030 Goals is linked to the longer-term Performance Share Plan, and the Annual Incentive Plan is linked to average performance across three independent external ESG ratings. These measures mean that accountability for sustainability is held at the most senior levels in the Company.

A summary of progress against these performance measures can be found in the Remuneration Committee's Report from page 168.

SSE's sustainability hierarchy

Framework to share value: aligned to UN's Sustainable Development Goals (SDGs)

Strategy driver

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

SSE's 2030 Goals

Four core business goals linked to highly material SDGs

- CO_2 **Cut carbon intensity by 80%** – 13 CLIMATE ACTION
- **Increase renewable energy output fivefold** – 7 AFFORDABLE AND CLEAN ENERGY
- **Enable low-carbon generation and demand** – 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- **Champion a fair and just energy transition** – 8 DECENT WORK AND ECONOMIC GROWTH

SSE's Environment Strategy

Linked to three further material SDGs

- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION – **Resource used**
- 14 LIFE BELOW WATER, 15 LIFE ON LAND – **Environmental management**

Understanding what matters

A double materiality approach

A credible approach to sustainability is one that is focused on the most significant issues faced by the Company. Through its activities, SSE inevitably impacts on the world around it, with implications for society, the environment and wider stakeholders. In recognition of this, SSE adopts the 'double materiality' approach, which not only takes into account sustainability matters that have a material impact on SSE's business value, but also considers the impact SSE has on the environment and society.

A comprehensive double materiality assessment was undertaken in 2022/23 with support from an independent third-party. This confirmed the five issues most material to SSE: carbon emissions; sustainable energy generation; affordable and reliable energy; supply chain management; and, skilled workforce.

In addition, the process highlighted three areas of opportunity for greater impact: just transition; circularity; and, nature and biodiversity

In early 2024, SSE undertook a 'pulse check' on the materiality assessment which re-confirmed that these top material issues and areas of opportunity remain highly relevant. Information around SSE's performance in each of these areas can be found throughout the following pages of these sustainability disclosures (pages 24 to 49).

The impact of the stakeholder perspective

SSE has identified six key stakeholder groups, outlined on page 15, which represent the people, communities and organisations with an interest in its purpose, strategy, operations and actions and who may be affected by them. Strategic stakeholder engagement underpins the understanding and includes a combination of business-led and Board-level interaction

SSE undertakes extensive engagement to understand the issues material to each of its key stakeholder groups and take these into consideration in decision making. Different stakeholders can often have competing priorities and, in these instances, SSE works to ensure that the best possible outcomes are reached.

For more detail on the range of engagement methods SSE adopts with its key stakeholders, see pages 132 to 134. Throughout the following pages, examples of strategic stakeholder engagement, and the impact it has on SSE's decisions and actions during 2023/24 are provided.

Aligning to external frameworks

Aligning to external sustainability frameworks supports the adoption of common national and international normative standards. These frameworks are created through robust independent processes, capturing the views of a wide variety of stakeholders, and as such also provide insight into issues of particular interest.

SSE is a signatory to the UN's Global Compact (UNGC) incorporating the Ten Principles of the UNGC into its approach to business. In addition, SSE aligns sustainability disclosures to international non-financial reporting frameworks, including the Global Reporting Initiative (GRI) and the SASB Standards, and actively engages with key investor ESG ratings agencies and investor-led initiatives. Full detail can be found in SSE's Sustainability Report 2024 and at sse.com/sustainability.

While SSE is not yet subject to recent mandated sustainability-related disclosure standards in Europe, it is seeking to adopt the most relevant aspects of the International Sustainability Standards Board (ISSB) Standards and the EU Corporate Sustainability Reporting Directive (CSRD). SSE is currently preparing for complete adoption of these standards as and when they become mandated for its business.

Collaborating for sustainable outcomes

Partnerships and collaboration are integral to SSE's approach, as it understands that the scale and complexity of the net zero challenge cannot be addressed acting alone. SSE has several well-established partnerships that allow it to collaborate and share knowledge to drive progress on key sustainability-related issues. These include decade-long partnerships with the Living Wage Foundation and the Fair Tax Foundation, working to address two issues which SSE believes are at the heart of sharing value with society.

SSE has also developed industry collaborations which focus on key challenges facing the energy sector, and how these can be addressed through collective action. Examples of these include: the Powering Net Zero Pact, a supply chain initiative working to address key challenges to bringing about a fair and just transition to net zero; and, the Coalition for Wind Industry Circularity, which seeks to bring together the UK wind sector to create a supply chain for the refurbishment and reuse of wind turbine components within the UK.

More detail about SSE's key partnerships and collaborations can be found in SSE's Sustainability Report 2024.

SSE's most material sustainability topics

SSE's double materiality assessment process has highlighted the issues most material to the Company, as well as areas where it has an opportunity to enhance impact.

SSE's most material sustainability topics

1. Carbon emissions
2. Sustainable energy generation
3. Affordable and reliable energy
4. Supply chain management
5. Skilled workforce

Opportunities for enhanced impact

1. Just transition
2. Circularity
3. Nature and biodiversity

Advancing climate action

Delivering climate action through a credible pathway to net zero legitimises SSE's licence to operate and is fundamental to its strategy to decarbonise power, contributing to national and international targets.

A strategy for net zero

The appetite for accelerated climate action presents significant opportunity for SSE. Its business model and strategy are wholly aligned to supporting the energy transition. For more information on SSE's business model, see pages 6 to 7 and strategy, see pages 12 to 13.

In 2023/24, SSE experienced a strong year of performance, recording its lowest scope 1 GHG emissions, maintaining its trajectory towards its science-based carbon targets aligned to a 1.5°C pathway. However, there is still much work needed to remain on this trajectory in the coming years, and emerging trends, including an increasing focus on security of supply towards the end of this decade, are focusing SSE's interventions as it balances both social and environmental requirements.

NZAP Plus investment plan

SSE's £20.5bn five-year capital investment plan to 2027, the NZAP Plus, is seeing SSE accelerate the build-out of the renewables, system flexibility and electricity networks that will be needed to reach net zero. 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 focused on climate solutions to achieve SSE's 2030 Goals, and is aligned to the Technical Screening Criteria of the EU Taxonomy.

Targeting net zero

SSE aims to achieve net zero across scope 1 and 2 GHG emissions by 2040 at the latest (subject to security of supply requirements) and for remaining scope 3 GHG emissions by 2050 at the latest. On the pathway to these long-term net zero ambitions, SSE has a series of interim carbon targets, verified by the Science Based Targets Initiative (SBTi) and aligned to a 1.5°C pathway (see Figure 3). Progress against SSE's science-based targets in 2023/24 can be found on page 31.

A pathway to net zero

For SSE's net zero ambitions to be credible, they must be supported by a transparent and robust climate transition plan, against which it can be held accountable. In March 2022, SSE published its Net Zero Transition Plan, available at sse.com/sustainability, which sets out clearly and transparently for stakeholders the key actions SSE will take to drive progress towards its long-term net zero ambitions and its interim science-based carbon targets.

To ensure accountability for progress against the plan, SSE has established a commitment through its shareholder resolution for shareholders to receive its Net Zero Transition Report annually. SSE's Net Zero Transition Report is published each year in June, alongside SSE's full-year corporate reporting suite, and summarises SSE's progress against the targets and actions set out in its Net Zero Transition Plan. SSE's Net Zero Transition Report 2023 was received by shareholders at the Annual General Meeting in July 2023, with 97.63% of votes cast in favour.

SSE's Net Zero Transition Plan pathway

S1 Scope 1 | S2 Scope 2 | S3 Scope 3

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

Note: for definitions of Scopes 1, 2 and 3 SSE follows the GHG Protocol.
For further inforamtion on SSE's GHG and Environmental Reporting Criteria 2024 see sse.com/sustainability

The important role of medium-term carbon targets

There are several factors outside of SSE's control, which have potential to impact its carbon performance in the short term. For example, in a tight electricity system, SSE has a social and economic obligation to support security of supply for homes and businesses, when a mix of renewable and non-renewable generation is needed. This reiterates the crucial nature of medium-term carbon targets, which provide clear pathways within the boundaries of which, companies can balance the impact of short-term influences.

SSE's Net Zero Transition Plan is focused on actions to deliver the steep cuts needed in the medium term, on the pathway to net zero, and provides clarity for stakeholders around the elements within SSE's control.

Climate-related opportunities and risks

Climate change represents both an opportunity and a risk to the energy sector, and as such directly influences SSE's strategy. Since 2018, SSE has been aligning its disclosures to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. These disclosures provide a structure to elevate climate challenges, informing decisions and driving change to deliver a net zero economy. Through this process, SSE has identified five key climate-related opportunities and four key climate-related risks. A summary of these opportunities and risks, and how they impact the strategy, can be found in Figure 1.

Climate-related financial disclosures are mandatory in the UK where 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 has integrated its disclosures against the TCFD recommendations throughout this Annual Report, providing stakeholders with a holistic picture of how it is thoroughly embedded through its business processes. Pages 98 to 99 provides a summary of how to navigate the TCFD-aligned disclosures throughout this report.

Leading management of climate-related opportunities and risks

SSE continues to prioritise engagement with CDP, the world's largest database of climate information. In 2024, SSE was awarded an 'A' leadership rating for the third consecutive year, for its 2022/23 submission to the CDP Climate Change questionnaire. This saw SSE included in CDP's Climate A-List, which recognises the world's leading companies based on their level of transparency and performance on climate change. SSE is one of around 350 companies worldwide which achieved an 'A' grade, placing the Company in the top 2% of all scored companies.

CDP A LIST 2023 CLIMATE

Figure 1: Summary of SSE's key climate-related opportunities and risks

The below table provides a summary of SSE's material climate-related opportunities and risks, alongside time horizon assessed and the scenario sensitivity. For full, detailed climate-related opportunity and risk tables, see pages 102 to 105.

Time horizon of opportunity or risk:
SSE considered different warming scenarios over three time horizons to assess the financial impact in each time period.

■ Period of opportunity or risk ○ Most material impact

Scenario sensitivity:
Scenario sensitivity indicates the financial significance indicated by the scenario modelling.

●●●● High sensitivity ● Low sensitivity ▨ Warming scenario not assessed

		Time horizon			Scenario sensitivity		
		2030	2050	2080	1.5°C	2.5°C	4°C
Transition opportunities	Accelerated wind investment	■	■ ○		●●●●	●●●	▨
	Accelerated transmission growth	■	■ ○		●●●●	●●●	▨
	Valuable flexible hydro	■	■ ○		●	●	▨
	Valuable flexible thermal	■	■ ○		●●●	●	▨
	Driving distribution transformation	■	■ ○		●●	●●	▨
Transition risks	Accelerated gas closure	■ ○			●●●●	●●●	▨
	Wind generation price	■	■ ○		●●●	●●	▨
Physical risks	Variable renewable generation risk		■	■ ○	●●	▨	●●●
	Extreme weather network damage		■	■ ○	●●	▨	●●

Aligning investment to sustainable finance frameworks

The emergence of statutory and normative frameworks defining economic activity under robust sustainability criteria supports the financing of SSE's investments that are wholly focused on the transition to net zero.

Taxonomy aligned activities

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.

To voluntarily provide stakeholders with an indication of the scale of SSE's green economic activities, SSE has taken a best-efforts approach to consider the alignment of its 2023/24 activity to the EU taxonomy, the high-level results of which are outlined in Figure 2.

Key strategic activities (i.e. onshore wind, offshore wind, transmission, distribution) from SSE's reportable 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.

A full breakdown of SSE's taxonomy eligible activities and the assumptions used can be found in Table 3 in the Disclosure Statement on page 107.

Issuance of two new Green Bonds

In 2023/24, SSE issued two new Green Bonds: a €750m eight-year Green Bond in August 2023, earmarked for flagship onshore and offshore wind projects recently completed or under construction; and, a £500m 20-year Green Bond in January 2024, to finance and/or refinance transmission infrastructure projects.

These represent SSE's sixth and seventh Green Bonds and bring the total outstanding Green Bonds issued by SSE and subsidiaries to £3.7bn, reaffirming SSE's status as the largest issuer of Green Bonds in the UK corporate sector.

Sustainability-linked Revolving Credit Facilities for networks

In 2023, SSEN Transmission and SSEN Distribution both signed their first sustainability-linked Revolving Credit Facilities (RCFs). The existing RCFs, originally signed in November 2022, were upgraded in May and July 2023 respectively to include key performance indicators, covering environmental and social metrics, and aligned to the sustainability strategies of the two networks businesses.

Carbon pricing

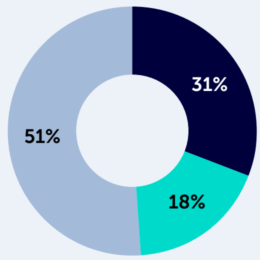
As a generator of electricity, SSE is subject to policies that impact the price of carbon, which makes it an explicit consideration in many investment decisions.

SSE's generation activities in 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 £64/tCO_2 in GB and €78/tCO_2 in the EU. SSE's future plans include assumptions on low, central and high carbon range forecasts.

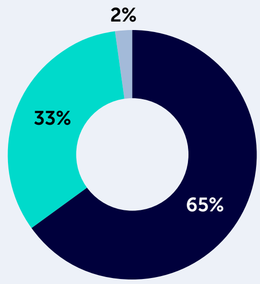
Figure 2: SSE's taxonomy aligned activities 2023/24

- Taxonomy-eligible aligned
- Taxonomy-eligible not aligned
- Taxonomy-non-eligible

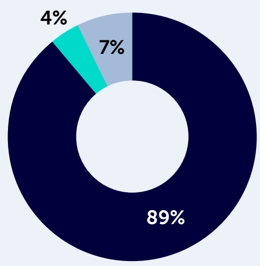
Revenue £10,457.2m



Adjusted operating profit £2,426.4m



Adjusted investment and capital expenditure £2,476.7m



Engagement in action

Informing best practice transition planning

The UK HM Treasury led Transition Plan Taskforce (TPT) is working to develop best practice guidance for private sector climate transition plans. SSE has been actively supporting this work and, because of its experience as an early adopter of climate transition planning, was invited to join the TPT Delivery Group in 2023/24.

Having previously supported the Transition Plan sandbox (testing) exercise, SSE joined three Working Groups: Electric Utility and Power Generators; Adaptation; and, Just Transition. SSE supported these Working Groups with developing topic and sector-specific guidance on transition plans.

The TPT published its Disclosure Framework in October 2023, followed by its final Sector Deep Dive Guidance in April 2024, which provides sector-specific guidance on interpreting the Disclosure Framework for seven sectors, including Electric Utility and Power Generators.

Whilst recognising the scale of the disclosures proposed by the TPT Guidance, the TPT Disclosure Framework represents the gold-standard for transition planning. SSE remains committed to best practice planning and disclosure and will review this latest guidance as part of the TPT's recommendation to update standalone transition plans on a three-yearly cycle.

Measuring SSE's carbon performance

Measuring and disclosing SSE's year-on-year carbon performance and progress against targets keeps SSE accountable to its stakeholders for delivery against its Net Zero Transition Plan. Full detail of SSE's GHG inventory can be seen in Table 2 in the Disclosure Statement on page 106. Detail of SSE's progress against specific actions in its Net Zero Transition Plan can be found in SSE's Sustainability Report 2024, alongside information around how different elements of SSE's strategy impact progress against carbon targets.

Performance against science-based carbon targets

SSE's 2023/24 progress against its SBTi-verified carbon targets is outlined in Figure 3. A strong year of performance means SSE remains on track to achieve these targets, having exceeded its supplier engagement target since 2022/23. Information around trends in SSE's performance can be found in the following discussion across pages 31 and 32.

SSE's scope 1 GHG intensity

The scope 1 GHG intensity of electricity generated in 2023/24 was the lowest recorded by SSE, falling by 19% to 205gCO_2e/kWh, from 254gCO_2e/kWh the previous year. This represents 41% progress against SSE's scope 1 GHG carbon intensity targets for 2030.

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

Output from SSE's renewable generation portfolio (incl. pumped storage and biomass, and excl. constrained off wind in GB) in 2023/24 increased slightly to 10.0.TWh in 2023/24, from 9.7TWh the previous year. Output for the period was driven by capacity additions during the year, principally from Seagreen offshore wind farm which reached full commercial operations in October 2023, which were partially offset by lower year-on-year wind speeds. Output from SSE's thermal generation decreased by 22%, principally reflecting a normalisation of the market environment over the course of the year.

This meant that the proportion of total generation output contributed to by renewable generation increased to 47% in 2023/24, compared to 40% the previous year. This, coupled with a significant reduction in GHG emissions arising from thermal generation resulted in the considerable improvement in scope 1 GHG intensity performance for 2023/24.

Absolute GHG emissions performance

In 2023/24, SSE's total reported GHG emissions consisted of 47% scope 1 emissions, 5% scope 2 emissions and 48% from scope 3 emissions measured. Overall, SSE's total reported GHG emissions fell by 18% between 2022/23 and 2023/24.

Figure 4 shows SSE's changing carbon footprint over time and shows scope 1 emissions decreasing as a result of strategic intervention but is also balanced by an increase in scope 3 emissions over time. For the first year, SSE's scope 3 emissions represented the largest portion of SSE's total GHG emissions in 2023/24.

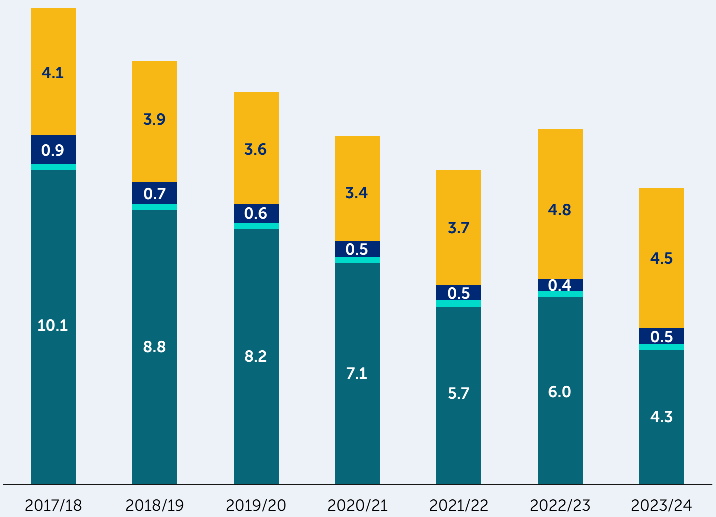
GHG emissions arising from thermal generation activities represents the single most material contribution to SSE's total reported GHG emissions, making up 99% of SSE's scope 1 emissions and 36% of its scope 3 emission through its joint venture investments.

The following discussion focuses on SSE's scopes 1 and 3 emissions, as they represent 95% of SSE's total carbon footprint. Discussion on SSE's scope 2 emissions can be found in SSE's Sustainability Report 2024.

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

Target	Unit	2017/18	2022/23	2023/24	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	254	**205**	61	2023/24: 33%; 2030 target: 80%. 41% of targeted reduction achieved
Reduce absolute scope 1 and 2 GHG emissions by 72.5% by 2030 from a 2017/18 base year	MtCO_2e	11.06	6.52	**4.81**	3.04	2023/24: 57%; 2030 target: 72.5%. 78% of targeted reduction achieved
Reduce absolute GHG emissions from use of products sold by 50% by 2034 from a 2017/18 base year	MtCO_2e	2.53	2.16	**2.01**	1.27	2023/24: 21%; 2034 target: 50%. 41% of targeted reduction achieved
Engage with 50% of suppliers by spend to set an SBT by 2024	%	0	51	**51**	50	2024 target (50%); 2023/24: 51%. 102% of target achieved

Figure 4: SSE's GHG emissions by scopes between 2017/18 and 2023/24 (million tonnes CO_2e)



- **Scope 3:** Gas sold (Category 11), Joint Venture investments (Category 15), well-to-tank emission from raw fuels purchased and transmission and distribution emissions from electricity used in non-operational and operational buildings (Category 3), SSEN Transmission network losses (Category 9), contractor vessels (Category 4), and business travel (Category 6)
- **Scope 2:** Electricity consumption in operational and non-operational buildings and SSEN Distribution network losses
- **Other scope 1:** Operational vehicles and fixed generation, sulphur hexafluoride and gas consumption in buildings
- **Scope 1:** Electricity generation carbon emissions

SSE's scope 1 GHG emissions
Absolute scope 1 GHG emissions in 2023/24 was the lowest recorded by SSE. Between 2022/23 and 2023/24, GHG emissions arising from electricity generation, decreased by around 29%. This was predominantly a result of a decrease in output from SSE's thermal generation plant by 22% compared to the previous year, as explained on page 31. An additional factor was that SSE's Tarbert oil-fired power station ceased generation before April 2023, in line with environmental licence requirements, which is a more carbon intensive generation type compared to gas-fired generation. The impact of weather, demand and availability of plant creates variation in the pathway of emissions reduction.

SSE's scope 3 GHG emissions
SSE's reported scope 3 emissions represented the largest portion of SSE's total GHG emissions inventory in 2023/24. The largest contributors to SSE's scope 3 GHG inventory for the year were gas sold to customers (45%) and emissions associated with Joint Venture thermal generation (36%).

SSE's total scope 3 emissions decreased by around 7% between 2022/23 and 2023/24.

The two material contributing factors included:

- A 30% reduction in GHG emissions arising from the processing and transport of fuel used in energy generation, due to the reduction in thermal generation output over the year.
- A 7% reduction in GHG emissions arising from gas sold to customers, due to a fall in Business Energy customer accounts. For more information see the Energy Customer Solutions business operating review on page 80 to 81.

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 deliver its strategy, SSE is working with its Joint Venture partners to ensure each put in place their own Net Zero Transition Plans.

A decarbonised energy sector enables a net zero world and while work has been done to further understand SSE's scope 3 emissions arising from its supply chain activities, they are set to increase while delivering crucial net zero infrastructure over the coming years. SSE is working to better understand the GHG emissions arising from purchased goods and services in order to better manage its supply chain emissions. More information can be found in SSE's Sustainability Report 2024.

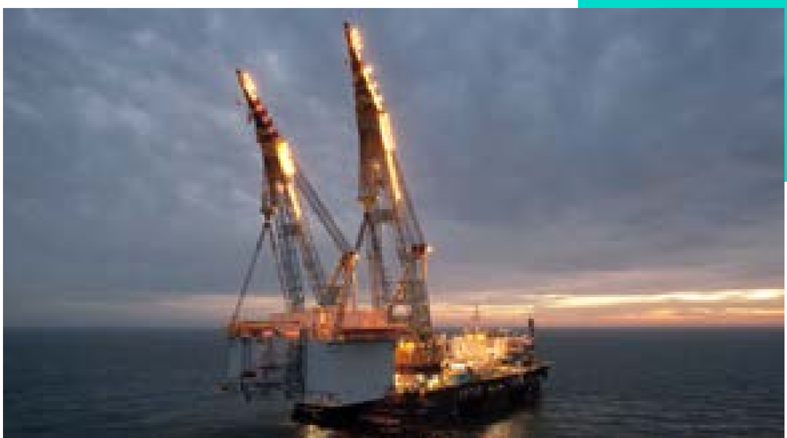
Climate adaptation and resilience

The physical impacts of climate change have the potential to adversely impact SSE's operations and interrupt the supply of energy to its customers. SSE is focused on ensuring it is resilient to a changing climate by anticipating and adapting to climate-related impacts. The physical impacts of climate change are considered within SSE's Task Force on Climate-related Disclosures (TCFD) and SSE's network businesses have set out resilience strategies with climate adaptation actions in their price control business plans.

Over 2023/24, SSEN Distribution increased operational resource to respond to 10 named storms. Six of these took place between October 2023 and January 2024, which saw SSEN Distribution restore supply to around 257,000 affected customers over the period. See the engagement in action case study on page 35 for more information.

SSE continues to implement climate risk and adaptation actions to prepare for extreme weather events, including monitoring short- and long-term weather patterns, using climate projections, crisis management and business continuity plans and investment programmes to improve infrastructure resilience.

Installation work under way at Dogger Bank A wind farm



Providing affordable and clean energy

SSE is supporting the transition towards a net-zero energy system through the provision of clean and secure energy, ensuring this is delivered in a way that does not adversely impact reliability and affordability of energy for the end consumer.

Delivering a cheaper, cleaner and more secure energy system

SSE is at the forefront, supporting the delivery of a power system that is dominated by clean renewable energy, flexible generation and net zero-ready grids. While SSE supports energy customers with the short-term impacts of rising energy costs, affordability in the long term remains a key focus, and its planned investment over the next decade of up to £40bn is aimed at addressing the underlying causes of high costs. Creating more low-carbon generation that can be produced at lower costs will protect energy users in the long run as well as reducing exposure to imported fossil fuels.

Targeting an increase in renewables

One of the key ways in which SSE ensures the provision of clean and affordable energy for customers is through the generation of renewable energy. Progress was made over 2023/24 towards SSE's target to grow renewable electricity generation output fivefold between 2017/18 and 2030/31, with output increasing to 11.2TWh, compared to 10.2TWh in 2022/23 (inc. pumped storage, biomass and constrained off wind in GB). SSE Renewables continued to make progress on key flagship projects over the year and reached some important milestones. This included Scotland's largest offshore wind farm, Seagreen, becoming fully operational in October 2023, and, in the same month, first energy being produced at Dogger Bank, which will be the world's largest offshore wind farm when complete.

SSE Renewables continues to focus on developing a strong pipeline of renewable energy projects to meet its own, as well as national, ambitions. Through the NZAP Plus investment programme, SSE Renewables is targeting an installed capacity (net) of up to 9GW of renewable generation, including battery storage, by 2027. It has a current pipeline of around 16.8GW of renewable energy projects, 2.8GW of which was in construction at 31 March 2024.

For more detail on SSE Renewables progress over 2023/24, see pages 74 to 76.

Supporting customers with the cost of energy

SSE recognises the careful balance needed between decarbonisation and the challenging circumstances that many energy customers have faced in recent years. That's why Energy Customer Solutions has continued to support its home and business customers as they deal with the lingering impact of the pandemic and energy crisis.

SSE Airtricity has been supporting customers on the Island of Ireland with the cost of energy

Supporting business customers in Great Britain

In September 2023, Energy Customer Solutions established a £15m support fund for its business customers in Great Britain. This fund helped customers who had signed up to fixed contracts at the peak of wholesale energy prices in late 2022. The fund was in addition to the continued availability of alternative contracts and payment arrangements as well as price reductions through the period.

SSE Airtricity price reductions

Following its commitment to use all 2022/23 profit to aid customers, £7.6m (€8.6m) arising at financial year-end was redistributed to domestic customers through household credits in April 2023. Support for financially vulnerable customers continued in 2023/24 under the €25m customer support fund announced in 2023/24. A further €5m Community Fund was announced in May 2024 to help communities on their path to net zero. The business also introduced two consecutive domestic tariff reductions in Ireland and regulated tariffs were reduced in Northern Ireland. These reductions mean many customers' tariffs have been reduced by almost 20%.

Low carbon solutions delivering better energy pathways

Along with aiding customers through turbulent energy markets, Energy Customer Solutions is equally committed to providing the solutions that help customers reduce energy consumption and their carbon footprint. This growth area had performed well in 2023/24 with Energy Customer Solutions well established as a reputable supplier of quality solutions across Great Britain and Ireland.

Delivering smart building solutions

In Great Britain, Energy Customer Solutions continued its smart buildings growth through propositions, including asset installations and technology platforms, which save carbon, energy and money for customers. This included the delivery of advanced building controls at the Scottish Parliament buildings, which are designed to achieve an energy reduction of 10%. Energy Customer Solutions was also awarded the decarbonisation project to install heat pumps across 11 South London and Kent schools for the Harris Federation.

SSEN Distribution raises awareness around the additional support it can provide customers

Supporting vulnerable residents through retrofit projects in Ireland

In Ireland, progressive government policies continued to stimulate strong growth in 2023/24 with Energy Customer Solutions delivering 2,700 rooftop solar installations alongside its partner Activ8, and almost 1,000 EV chargers. In addition, Energy Customer Solutions continued to be recognised by local councils for its innovative solutions, such as Dun Laoghaire Rathdown County Council, for retrofitting 100 residential units and a daycare centre with a first-of-its-kind district heating system, allowing residential units to be heated by lower capacity heat pump.

Energy Customer Solutions also continued its commitment to support home decarbonisation and delivered 500 home energy retrofits including working in partnership with Northern Ireland's Bryson Charitable Group to deliver solutions for financially vulnerable groups.

Supporting distribution customers

SSEN Distribution works to enable the net zero transition at a local level , at the same time as ensuring customers have secure and reliable energy.

Providing an inclusive service to network customers

SSEN Distribution's Priority Service Register (PSR) provides adapted services and additional support to customers who are in potentially vulnerable situations, and who may be particularly affected in the event of supply interruptions. People's situations change over time, so SSEN ensures that it continually raises awareness around its PSR to ensure it captures as many people in need as possible. It does this through a range of activities including running awareness campaigns, partnering with other service providers and through the dedicated website launched in early 2023, thepsr.co.uk. In 2023/24, the number of customers on SSEN Distribution's PSR was 925,349 – an increase of over 70,000 compared to the previous year.

Vulnerable customers at the heart of strategy

In March 2024, SSEN Distribution was the first electricity network operator to enshrine the needs of its most vulnerable customers at the heart of its plans for developing the electricity networks of the future. Through the delivery of its innovation project, known as Vulnerability Future Energy Scenarios (VFES), it predicts when and where communities are less resilient, less affluent, and more seriously affected by prolonged or frequent interruptions to supply.

VFES also predicts the likelihood of customers missing out on the benefits low-carbon technologies. The level of understanding that VFES brings will help enhance plans for network investment strategies, not just in regions which will see a high uptake in low-carbon technologies, but also communities where customers rely on energy more than most and who may need more support with using low-carbon solutions.

A refreshed Consumer Vulnerability Strategy

SSEN Distribution is acutely aware of how its business can help a society currently tackling the rising costs of living, climate change and the impacts of the net zero transition. In March 2024, it refreshed its Consumer Vulnerability Strategy to further enhance the role it plays in assisting customers who are in, or are experiencing, vulnerable situations.

The refresh includes a renewed approach to collaboration, partnerships, and innovation, meaning SSEN can do more to meet the changing needs of customers, communities, and society. SSEN Distribution's partnership framework is focused on building meaningful and strong partnerships that deliver more through collaborations. Through the use of metrics, such as Social Return on Investment (SROI) and PSR reach, SSEN Distribution is working with existing partners to maximise support and onboard new partnerships to ensure it funds initiatives where they will have the biggest impacts on customers, in the communities where the need is greatest. Its ambition is to deliver £23m in consumer benefits as a direct result of the targeted investments it will make.

Engagement in action

Supporting customers, no matter the weather

The increasing severity and regularity of extreme weather events can pose significant disruption to SSE's operations, particularly in its electricity distribution business which is at the forefront of responding to these impacts. Between mid-October 2023 and the end of January 2024, SSEN Distribution responded to six named storms – Babet, Ciaran, Gerrit, Henk, Isha, and Jocelyn. SSEN Distribution deploys increased operational capacity in events like these and the teams worked in challenging conditions, with a clear focus on restoring customers' electricity supplies as safely and quickly as possible. As well as restoring electricity supplies, SSEN Distribution supported affected communities by proactively contacting vulnerable customers on the Priority Services Register, providing hot meals and handling large volumes of calls in its Customer Contact Centre.

By the end of January, SSEN Distribution's response teams had restored supply to around 257,000 affected customers, and received recognition in the UK and Scottish Parliaments for their efforts and resilience. SSE continues to implement mitigation methods it has in place to prepare for extreme weather events such as these, including monitoring short- and long-term weather patterns, crisis management and business continuity plans and investment programmes to improve infrastructure resilience.

OCTOBER 2023	NOVEMBER 2023	DECEMBER 2023
Storm Babet Aberdeenshire, Angus and Perthshire **37,000** customers restored	**Storm Ciarán** Central southern England **35,000** customers restored	**Storm Gerrit** North of Scotland **48,000** customers restored

JANUARY 2024		
Storm Henk Central southern England **60,000** customers restored	**Storm Isha** Central southern England and north of Scotland **70,000** customers restored	**Storm Jocelyn** North of Scotland **7,000** customers restored

SSEN Distribution's response teams support local communities during supply interruptions

Investing in industry, innovation and infrastructure

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SSE's significant investment in net zero infrastructure must be done in a way that fosters innovation and collaboration, and ensures social and environmental impacts are carefully managed to create lasting positive impacts in local communities.

A strategic approach to innovation

Innovation has a central role in the delivery of SSE's strategic objectives, allowing it to accelerate the readiness of the technologies needed to support the net zero transition.

Establishing a Group-wide approach

In early 2024, SSE established an internal cross-Group Innovation Advisory Council which sets out SSE's strategic vision and direction for innovation. While each of SSE's Business Units are supported to define their own innovation priorities and integrate new technologies, the new council serves to identify promising new technologies relevant to clean energy and acts as a forum for SSE's Business Units to share knowledge. This Group-centred approach supports the consideration of innovation in a whole energy system context, ensuring maximum benefits can be realised by the business.

Collaboration at the core

SSE has strategic partnerships with academic institutions, designed to ensure mutual knowledge transfer between academia and industry to drive forward the energy transition. It has well-established partnerships with Imperial College London and the University of Strathclyde, in the UK, and also partners in one of Ireland's leading all-island energy research programmes, 'NexSys', hosted by University College Dublin.

In December 2023, SSE announced a new partnership with the University of Highlands and Islands (UHI), in Scotland. With the Highlands and Islands at the heart of an accelerated transition to net zero, it is important that the scale of the coming investments benefits the region. The overall objective of the partnership is to ensure that as many of the job and economic opportunities in the Highlands and Islands as possible will benefit its people and communities, supporting environmentally sustainable economic development.

Sustainable supply chains

SSE considers the principles of sustainable procurement as a vital tool in managing risks, maximising opportunities, assessing value and monitoring performance, while enabling stronger relationships with its supply partners.

A Sustainable Procurement Plan

In February 2024, SSE sought to increase transparency around its commitment to sustainable procurement through the launch of its Sustainable Procurement Plan. The new Plan, which is available at sse.com, communicates SSE's sustainable procurement initiatives from both a Group and Business Unit perspective, and outlines its future ambitions to SSE's suppliers and other stakeholders. The plan consists of six key pillars with objectives mapped against them, as well as a goal setting plan for SSE's tier one suppliers which represent 90% of its supply chain by spend, called the 90% Club. Progress against these ambitions will be monitored annually through a range of data capture methods.

Over the course of 2023/24, SSEN Distribution published its business-specific Sustainable Supplier Code chain code and SSEN Transmission launched its new Delivery Charter, both seeking to encourage collaborative work with supply chain partners to achieve joint sustainability ambitions.

Strategic supply chain engagement

Over 2023/24, SSE further strengthened its supply chain engagement on sustainability through partnering with EcoVadis, a well-established business sustainability ratings platform, to understand and monitor supplier performance. SSE set an ambition to have 70% of its supply chain by spend achieve a valid EcoVadis scorecard by April 2024. At 31 March 2024, 51% of its suppliers by spend had been engaged and were evaluated or undergoing an evaluation. Scorecards support strategic engagement with suppliers on targeted sustainability topics, goals, and performance. SSE's own EcoVadis performance is gold rated with a scorecard of 71, and it performs in the 95th percentile within its industry.

Driving sustainable outcomes through SSE's businesses

SSE's Business Units are at the forefront of delivering the infrastructure needed for net zero, and work to deliver this in a sustainable way for the benefit of local communities and wider society.

Leaving a lasting local legacy

SSEN Transmission's £20bn Pathway to 2030 programme represents the largest investment programme in the north of Scotland grid since the 1950s and is critical to meet UK and Scottish climate targets. SSEN Transmission aims to ensure this scale of investment creates lasting, meaningful benefits for the local communities in the region.

Engagement in action

Taking a stakeholder-led approach to project development

SSEN Transmission is undertaking significant community and stakeholder engagement to consult on plans for its Pathway to 2030 projects, seeking to address concerns raised at a local level.

In December 2023, SSEN Transmission published the results of the first round of community consultation events, confirming several stakeholder-led changes to the development of its plans which have included moving locations and preferred sites of two key substations. SSEN Transmission also held over 40 community consultation events in February and March 2024 to allow members of the public to engage with project teams and directly influence ongoing project refinement.

As the development of SSEN Transmission's Pathway to 2030 projects progresses, ahead of planning submissions later in 2024, it will continue to take a proactive approach in seeking feedback and is committed to work constructively with all key stakeholders and local communities to maximise legacy benefits and find balanced solutions for project delivery.

As part of this work, SSEN Transmission announced in December 2023, that it will create long-term, skilled, green employment opportunities across the region with the recruitment of 400 new employees over 2024. It also announced plans to develop a housing strategy, with a commitment to deliver 200 new homes across the north of Scotland which, following completion of the projects, will support local housing requirements. Further benefits will include the establishment of a Community Benefit Fund in the north of Scotland, which is expected to be worth in excess of £100m over its lifetime subject to UK Government guidance, and money off bills for those located closest to new infrastructure.

These initiatives, alongside placing multi-million-pound contracts with local supply chain partners, will create billions of economic value for Scotland.

Delivering world firsts in partnership at Dogger Bank

In October 2023, the world's largest offshore wind farm under construction, Dogger Bank, started producing electricity for the first time. Situated 130km off the coast of Yorkshire, Dogger Bank is a joint venture between SSE Renewables (40%), Equinor (40%) and Vårgrønn (20%). SSE is the lead operator for the development and construction for the 3.6GW wind farm, which is being constructed in three 1.2GW phases known as Dogger Bank A, B and C.

First power followed the installation of the first of GE Vernova's Haliade-X 13MW turbines in June 2023, one of the largest and most powerful globally. This is the first time Haliade-X units have been energised offshore anywhere in the world. Each rotation of the 107m long blades on Dogger Bank's first operational turbine can produce enough clean energy to power an average British home for two days. Installation of the turbine was undertaken by the largest offshore jack-up installation vessel ever built, called Voltaire, which is also the first seagoing installation vessel to be an Ultra-Low Emission vessel.

The development also involves the installation of the world's first unmanned High Voltage Direct Current (HVDC) offshore substations, the first of which was installed in April 2023.

Principles for sustainable biofuel use

SSE Thermal's Tarbert site in County Kerry has a proud history of power generation. With the former oil-fired station closing at the end of 2023 due to environmental requirements, SSE's focus is now on repurposing the site for a net zero future.

Over 2023/24, plans were progressed for a new 350MW Open Cycle Gas Turbine (OCGT) at Tarbert which would run on 100% sustainable biofuels, specifically Hydrotreated Vegetable Oil (HVO). With the potential to convert to hydrogen in the future, Tarbert Next Generation Power Station can support both short-term security of supply needs and long-term decarbonisation efforts.

HVO has a lower greenhouse gas emissions profile across its lifetime when compared to alternatives such as diesel or natural gas combustion. To ensure the HVO sourced is sustainable, SSE has established a set of standards which requires the HVO to:

- be sourced from 100% waste feedstocks, the raw materials for which are grown on a seasonal basis so there is no long-term 'carbon debt';
- be certified to both International Sustainability and Carbon Certification and Renewables Fuel Assurance Scheme as well as meeting the EU's RED II sustainability requirements.

SSE Thermal will source HVO from one of the multiple suppliers in Ireland certified in line with RED II. Due diligence will be conducted in accordance with SSE's Human Rights and Modern Slavery statement and policy.

Enabling net zero at the local level

Local electricity networks are key in the transition to net zero and SSE has been supporting local authorities to identify the changes and resources needed to achieve net zero at a community level. In October 2023, SSEN Distribution launched its innovative Local Energy Net Zero Accelerator (LENZA) tool, designed to help local councils accelerate the development of holistic and efficient local area energy plans.

The LENZA tool shows live capacity on the network and predicted constraints, allowing local authorities to make better decisions on where to put new energy assets or roll out low-carbon programmes. This enables these technologies to be sited in cost-effective locations in places for the benefit of all people in local communities. SSEN Distribution has onboarded the first group of five local authorities to the tool, which is now available to all local authorities across SSEN's licence areas, and will be deployed on a staged basis.

Committed to decent work and economic growth

SSE is embedded in the communities and places in which it operates. Through the operation of long-term assets and the delivery of new investment, it works to create and share enduring value with communities and wider society.

Powering a just transition

SSE deliberately seeks to manage the social impacts of the transition to net zero in a way that is fair to working people, communities and consumers. It is guided by its Just Transition Strategy – a framework of principles designed to guide SSE's decisions and actions as it transitions from high-carbon activity to net zero.

A strategic approach to a just transition

SSE's Just Transition Strategy is based on 20 principles that sit under five key themes: good green jobs, consumer fairness, building and operating new assets, looking after people in high-carbon jobs and supporting communities. The principles are deliberately comprehensive, taking a whole-system perspective of the impact of the net zero transition, to ensure the best possible outcomes for all stakeholders.

SSE's approach is to ensure that the practical, real-world action it takes is informed by research and learnings, creating meaningful impacts. It does this through observations from its own experience and activities, as well as through external partnerships and collaborations.

A targeted worker transition

Three years of targeted research is giving SSE important insight into the nature of the worker transition already under way. The most recent all employee survey in September 2023, shows that just over 1 in 4 employees had already transitioned from a high-carbon role to a low-carbon career with SSE, up from 1 in 5 in 2021. Analysis of SSE's new recruits in 2023/24 identified that 35% are former high-carbon workers overall. SSE Renewables and SSEN Transmission are the most popular destination for former high-carbon workers which combined account for over 1,000 such employees. The survey also showed that they are more engaged than other employees, particularly with SSE's net zero strategy, and have a strong focus on health and safety, which is a number one priority for SSE.

> 1 in 4

employees have transitioned from high-carbon roles to a low-carbon career with SSE

This internal research builds on further activity SSE commissioned from the University of Edinburgh in 2023/24. The research specifically looked at sunset (decline) and sunrise (growth) industries over time, the skills make up of these workers and identifying overlaps with the energy industry, exploring opportunities for ensuring that the transition from sunset and competition with sunrise industries is managed in a just and sustainable way.

35%

of new recruits are former high-carbon workers

The report findings include outlining possible risks of an unjust transition and highlighting opportunities to reskill and attract new recruits into SSE. SSE will use the key findings to inform more targeted future recruitment and workforce strategies, as well as in developing a better understanding of the external landscape which will inform SSE's wider work around the just transition.

A strategy aligned to best practice

The importance of carefully managing the social consequences of net zero and the consideration of a just transition is increasingly becoming mainstream. SSE deliberately seeks to participate in shared learnings and, in February 2024, it supported the Grantham Research Institute Just Transition Finance Lab.

A key point noted by investors is the importance of using indicators and metrics to measure progress against strategies. As a result, a review of the SSE's Just Transition Principles is under way, with the objective of identifying a basket of key performance Indicators to support stakeholder engagement on SSE's performance in meeting its just transition objectives.

SSE's economic contribution in the UK and Ireland 2023/24

Ireland

Contribution to GDP
€1.06bn
(2022/23: €429m)

Jobs supported
3,270
(2022/23: 2,430)

Taxes paid
€68.0m
(2022/23: €53.8m)

Investment in communities
€0.9m
(2022/23: €4.0m)

UK

Contribution to GDP
£5.96bn
(2022/23: £6.04bn)

Jobs supported
53,230
(2022/23: 39,940)

Taxes paid
£679.2m
(2022/23: £502m)

Investment in communities
£11.5m
(2022/23: £13.3m)

Contributing to regional just transition discussions

SSE has considerable practical experience of the just transition, with valuable industry and region-specific insight. In November 2023, SSE was invited to provide oral evidence to the Scottish Parliament Economy and Fair Work Committee for its inquiry into a just transition to net zero in the North East and Moray regions of Scotland. The oil and gas sector is a large employer across these regions and the inquiry seeks to explore how, as the country transitions to net zero and the industry transforms, good outcomes are achieved for these workers and companies.

One of the themes covered in the session focused on the skills transformation required for the transition, and how existing local workforce skills can be harnessed and developed. It also considered the advantage the region has in renewable technologies and how a wider renewables supply chain can be built to facilitate a just transition.

SSE welcomed the final report published in March 2024, which provided a range of recommendations to the Scottish Government around how policies and workstreams could better support a just transition.

Creating social and economic value

Through its activities SSE works to ensure it shares value with society by generating economic value, contributing to the public purse and creating lasting benefits for local communities.

Creating economic value and jobs

Since 2012, SSE has commissioned an independent assessment each year to estimate the value it contributes through GDP and the jobs it supports across the UK and Irish economies. Over 2023/24, SSE contributed an estimated £5.96bn to UK and €1.06bn to Irish GDP, compared to £6.04bn and €429m respectively in 2022/23 (not adjusted for current prices). In the same period, jobs supported in these countries increased by around 33%, to 56,500 from 42,370 the previous year, largely as a result of increased supply chain activity.

More detail on SSE's contribution to GDP and jobs supported in 2023/24 and discussion around trends can be found in SSE's Sustainability Report 2024. The Sustainability Report and all of SSE's economic contribution reports can be found at sse.com/sustainability.

Paying it back: the importance of tax

With fair tax the cornerstone of SSE's approach to sharing value, 2024 will mark the 10th anniversary since SSE was first accredited as a Fair Tax Mark company representing SSE's enduring commitment to paying its fair share of tax, at home and abroad. This was reinforced by SSE's move to the Fair Tax Foundation's Global Multinational Business Standard in 2022/23.

Over 2023/24, SSE's total tax contribution was £1.47bn, consisting of £739m taxes paid (including £375m in profit taxes) and £727m taxes collected. Further information on SSE's taxes can be found on pages 231 to 233 of this report, and in the Sustainability Report 2024.

In November 2023, SSE published its eighth Talking Tax Report, disclosing SSE's tax affairs in a simple, transparent, and understandable way for its stakeholders. SSE's Talking Tax reports can be found at sse.com/sustainability.

Long-term investment in local communities

One of the most direct ways SSE shares value is through the year-on-year investment in the communities that host many of its assets. During 2023/24, SSE invested a total of £12.2m in communities across the UK and Ireland. The largest contributor to this was £10.3m awarded through SSE Renewables Community Investment Funds in the UK and Ireland.

In 2023/24, SSE achieved important milestones in its community investment, including:

- Marking a decade of its first-of-a-kind regional Community Investment Fund, the Sustainable Development Fund, which has awarded £13.5m since its creation.
- The launch of SSEN Transmission's first Community Benefit Fund for communities in the north of Scotland, which is expected to be worth in excess of £100m over its lifetime (see more on page 37).

SSE recognises that this investment must be done in a responsible way that supports community cohesion and creates lasting legacies. SSE's Group-wide community investments adhere to a consistent set of principles based on transparency, co-creation, maximising impact, and good governance. More detailed disclosure on SSE's community investment can be found in SSE's Sustainability Report 2024.

Engagement in action

Resetting the SSE SET

SSE has six well-established core values, but in a changing environment it is important that they continue to inspire the behaviours expected. This is particularly important for SSE as a growing business with an evolving employee base. Focus groups hosted by the Institute of Business Ethics (IBE) tested the relevance of the SSE SET with colleagues from across all levels of the Company. As SSE's number one value, Safety was excluded as it was considered an area of unwavering focus. Results were clear that the values still resonate with colleagues but the underlying descriptors could focus more on SSE's innovative and inclusive approach, better reflecting its ethical ways of working. SSE received positive feedback from IBE for the fact that all colleagues who took part could easily articulate what their team did and outline how it connected back to SSE's purpose, values and doing the right thing.

The new, simpler wording, endorsed by the Board, makes it clear to everyone what is expected no matter their role. The SSE SET descriptions were launched over the course of a week in November 2023 which focused on key topics associated with doing the right thing, which saw around 6,750 colleagues joining the series of employee calls held.

Reinforcing a healthy business culture

SSE works hard embedding its healthy workplace culture where all employees are treated with fairness and respect.

Doing the right thing

SSE's healthy ethical business culture is inextricably linked to its six core values. Called the SSE SET – Safety, Service, Efficiency, Sustainability, Excellence and Teamwork – they are the behaviours expected of all those who work for, and on behalf of SSE.

To help embed the standards that promote better outcomes, SSE's employees are guided by its Doing the right thing guide to good business ethics. The guide applies to direct employees and those that work on SSE's behalf, and covers a wide range of topics from staying safe and secure, trading fairly and transparently to working together and engaging with stakeholders. It is available publicly at sse.com/about-us/our-culture and is promoted to all employees as well as being highlighted to suppliers in SSE's Sustainable Procurement Code.

SSE has a suite of mandatory ethics and compliance training including annual modules on cyber security, data protection, inclusion and diversity, as well as bribery and anti-corruption which all employees must complete biennially. Additional modules on competition law, business separation 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 page 127).

Supporting employees to speak up

The foundation of a healthy business culture is one where everyone feels confident to report any concerns of wrongdoing without fear of repercussion, and where issues identified are dealt with quickly and appropriately. Those who work for or on behalf of SSE are encouraged to speak up and are protected from any adverse impact of doing so. In addition to internal reporting channels, SSE has an independent whistleblowing channel, hosted by Safecall, with the option to report anonymously.

The number of reports of suspected wrongdoing has increased in 2023/24, with 73 reports made through SSE's speak up channels, compared to 50 the previous year. This increase is partly a result of a concerted effort to make the reporting process more simple and accessible, and is to be expected with a growing employee population. Recognising the detrimental impact of an investigation on all parties involved, a further focus over 2023/24 year was limiting the duration of the investigation period to a maximum of 45 days.

Detailed information around the categories of reported incidents and the outcomes of investigations, alongside how SSE supports employees who have spoken up, can be found in SSE's Sustainability Report 2024, available at sse.com/sustainability.

Valuing employee voice

A key way to measure how healthy a business culture is, is through listening to employee feedback. Through this, SSE can take appropriate action to improve employee experience where possible. SSE undertakes an in-depth all employee survey every two years and a shorter 'pulse' survey on alternate years. 88% of employees provided feedback in the 2023 in-depth survey, SSE's highest response rate in recent years. The engagement score increased to 85% from 84% in last year's pulse survey.

Three core themes were identified from the 2023 survey: Strategic engagement, Cultural engagement and Ways of working. SSE's Business units are developing action plans, based on local results, to prioritise enhanced engagement across these areas.

SSE's 2023 employee engagement results

Sustainable Engagement Score

85%

(2022/23: 84%)

Looking after safety and wellbeing

Safety and wellbeing is at the heart of SSE's culture and is ingrained in the way it does business. Safety is SSE's number one Company value, with the objective that "everyone gets home safe".

Monitoring health and safety performance

Everyone at SSE operates to the licence "If it's not safe, we don't do it". That focus is all the keener following the tragic fatality of Richard Ellis, one of SSE's contractors' employees who died in an offsite incident.

SSE's performance expectation for 2023/24 was set as a Total Recordable Injury Rate (TRIR) of 0.11 for SSE employees, and 0.31 for contractors. SSE's TRIR for employees exceeded the performance expectation, with a marked improvement as it fell to 0.07 from 0.10 in 2022/23.

SSE's contractor TRIR performance fell well short of this performance expectation and the high standards SSE seeks to uphold. The TRIR for contract partners increased to 0.41 from 0.34 in 2022/23. This reflects a significant increase in investment and construction activity, and the associated rise in contract partner hours worked. Whilst the outturn highlights an increase in Contractor TRIR, the severity of injuries has reduced, namely a reduction of 11% in contractor RIDDOR Reportable incidents*.

Taking into account performance in 2023/24 and the expected trend in operational and construction activity, SSE has set a TRIR performance expectation for 2024/25 of 0.09 for direct employees, and 0.40 for contractors. Considering the increased activities and workload within all Business Units, this will be a challenging task but is believed to be achievable.

Focusing on contractor safety

SSE recognises that the increase in investment and construction required to achieve its business goals results in the associated increase in contractor hours worked in activities that often have a higher risk profile than day-to-day operational activities. In response to this, in 2022/23, SSE formed a new central Contractor Safety Team supported by dedicated Contractor SHE Managers and Assurance Auditors to focus on contractor safety performance. SSE benefits from relationships with professional contract partner organisations to support its operations and projects. Building on these relationships to set high standards on Safety, Health and Environment has been a key focus over 2023/24. SSE is working to ensure it gets everyone home safe as it embarks on an increased level and pace of project activity.

* As classified in the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

Table 1: Total Recordable Injury Rates for SSE's employees and contractor partners

	Unit	2023/24	2022/23
Total Recordable Injury Rate – employees and contractors	Per 100,000 hours worked	0.20	0.19
Total Recordable Injury Rate – employees	Per 100,000 hours worked	0.07	0.10
Total Recordable Injury Rate – contract partners	Per 100,000 hours worked	0.41	0.34

Tracking attitudes to safety and wellbeing

Where I work, we make it easy for people to do the right thing on safety, health and environment

94%

(2022/23: 94%)

I am able to balance my work and my personal responsibilities

87%

(2022/23: 85%)

Over the course of 2023/24, a core focus of the Contractor Safety Team was on large capital projects, which is an area where most of SSE's capital and construction activity is taking place. This focus has brought about continued improvement across large capital projects with a reduction in severity of incidents recorded. In November 2023, SSE also held its first Safer Together contractor event, attended by over 130 contractor partners, to talk about how it can collaborate more with contractors on safety.

Throughout 2024/2025, SSE will update its SHE Specification to help standardise how it works with partners, introduce a performance measurement platform and continue the positive collaboration.

More information on SSE's approach to governing health and safety is provided in the Safety, Sustainability, Health and Environment Advisory Committee Report on pages 154 to 157.

An immersive training experience

Over 2023/23, SSE has been rolling out an immersive training experience to help colleagues and partners gain a deeper level of emotional connection when something goes wrong. This multimillion-pound programme included building SSE's own centre, the Faskally Safety Leadership Training Centre in Perth, a first of its kind for Scotland. At 31 March 2024, around 1,700 employees and contract partners had been trained and, with the launch of SSE's own new facility in April 2024, over 39,000 employees and contract partners will experience this immersive training over the next three years.

Engagement in action

Supporting workers in construction

In November 2023, SSE partnered with the Lighthouse Construction Industry Charity (LCIC), which is the only charity solely dedicated to the emotional, physical and financial wellbeing of construction workers and their families. Support provided includes a 24/7 Construction Industry Helpline which offers a range of free and confidential wellbeing support services. This is complemented by a free app and online portal which offer expert guidance on a variety of wellbeing issues. Workers and their families can also access LCIC's Wellbeing Academy which covers a variety of courses supporting industry workers, from soft skills training through to Mental Health First Aider accredited qualifications.

SSE's activities are highly focused on the construction and delivery of low-carbon infrastructure assets, and its ambitious NZAP Plus investment plan will mean this increasing over the coming years. Through its partnership with the LCIC, all of SSE's employees, contractor partners and their families, will have access to essential physical and mental wellbeing support, free of charge.

Projects like SSE's Viking wind farm are providing quality, low-carbon jobs

Fair and decent work for all

Providing good and meaningful employment should be a minimum commitment for any employer and is a priority for SSE. At the cornerstone of this commitment is a fundamental respect for human rights and fair remuneration for those working on SSE's behalf.

Paying it fair

In September 2023, SSE celebrated 10 years of being a real Living Wage accredited employer in the UK. Since first being accredited in 2013, SSE has continuously strengthened its commitment to the living wage over the decade.

Recognising that a living income requires regularity and certainty of work, SSE was one of the first companies in the UK to become a Living Hours employer. In November 2023, SSE built on its commitment by becoming a Living Pensions accredited employer, which seeks to provide stability and security for workers now and in the future.

Furthering its commitment to fair reward, in March 2023, SSE announced an enhanced approach to its Personal Contract Pay for employees in the UK and Ireland. The new approach ensures faster progression through salary bands and faster progression for high performers. More information can be found in SSE's Sustainability Report 2024, available at sse.com/sustainability.

Respecting fundamental human rights

Human rights abuses and modern slavery in all its forms are unacceptable to SSE. SSE is fully committed to upholding key international frameworks around fundamental human rights, which are set out in SSE's Group Human Rights Policy, available at sse.com.

Everyone in SSE has the fundamental right to freedom of association and to join a trade union. SSE has four recognised trade union partners which it works with through the Joint Negotiating and Consultative Committee and through regular ongoing dialogue. In 2023/24, 47.6% of SSE's total direct workforce was covered by collective bargaining agreements.

Investing in a workforce for net zero

SSE seeks to provide attractive employment opportunities with meaningful, long-term careers. SSE's recruitment strategy seeks to bring new talent into the organisation, at the same time as investing in the development of its existing workforce.

A growing workforce

Over 2023/24, SSE continued with its commitment to create at least 1,000 jobs every year until 2025 to meet the demands of its growing Business Units. A total of 4,381 positions were filled across internal and external recruitment and SSE's overall headcount increased by 1,711 at 31 March 2024, representing a 14% rise compared to the previous year. Headcount growth was seen across all of SSE's Business Units but most notably in its transmission and renewables businesses.

SSE's headcount includes 131 employees in locations outside the UK and Ireland. The data excludes 1,089 employees related to the reacquisition of Enerveo (formerly SSE Contracting) in March 2024.

In 2023/24, SSE's employee retention rate improved slightly to 91.3%, whilst its voluntary turnover rate was 5.5%, compared to 7.0% in 2022/23. This continues the trend of a return to pre-pandemic labour market conditions. SSE's retention and turnover rates also reflect the results of the 2023 all employee survey, in which scores for overall employee engagement and for reward and retention themes were higher than both the Energy and Utilities and UK national averages.

Developing SSE's talent

Over 2023/24, SSE invested a total of £32.0m in learning and development and pipeline programmes, compared to £23.3m the previous year. This rise was largely due to increased investment in SSE's pipeline programmes, the vast majority of which was due to a significant increase in investment in SSE's graduate programme.

Advancing pipeline programmes
In 2023/24, the number of people on one of SSE's pipeline programmes increased by 36% compared to the previous year. This consisted of 345 apprentices, 322 graduates, along with 76 trainee engineers and 26 individuals on an employability programme.

SSE's graduate programme has grown considerably in recent years, and in 2023/24 a strategic refresh was undertaken to ensure it fully met the needs of the graduates and SSE's business. More information can be found in SSE's Sustainability Report 2024 available at sse.com/sustainability.

Enabling the best performance
Since April 2022, SSE has made significant investment and focused efforts on enabling the best performance of its people and retaining its top talent. In August 2023, as part of this commitment, SSE introduced Performance Edge – an evolved approach to leading and managing performance. Performance Edge is designed to equip employees to focus on the delivery of SSE's strategic priorities through agile conversations and continuous learning, feedback, and coaching.

Investing in a skilled workforce 2023/24

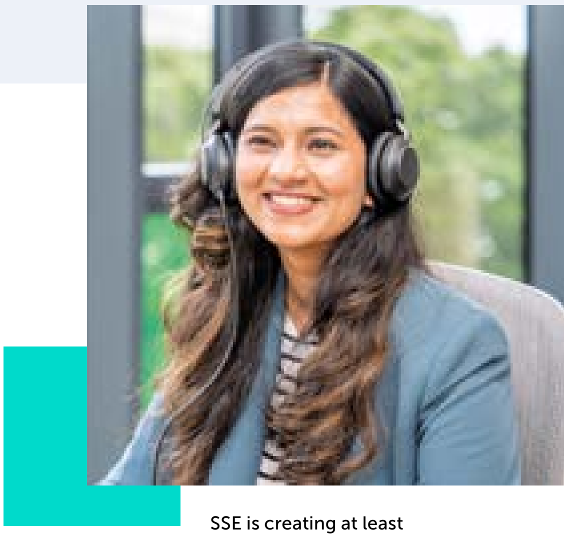
Investment in learning, training and development
£12.5m
(2022/23: £10.4m)

Investment in pipeline programmes
£19.5m
(2022/23: £12.8m)

Total number of people on a pipeline programme
769
(2022/23: 564)

Cumulative total investment in Performance Edge
£1.9m
(2022/23: £0.8m)

Average training hours per full-time equivalent employee
21.1
(2022/23: 19.8)



SSE is creating at least 1,000 jobs a year until 2025

SSE's workforce 2023/24*

Total headcount at 31 March
13,891
(2022/23: 12,180)

Positions filled (internal and external recruitment)
4,381
(2022/23: 4,401)

Employees joining SSE
3,286
(2022/23: 3,226)

Retention rate
91.3%
(2022/23: 89.5%)

* Employee statistics exclude information for 1,089 employees related to the reacquisition of Enerveo (formerly SSE Contracting) in March 2024.

Driving inclusion and diversity

To deliver SSE's ambitious investment plans, a workforce with diversity of thought, experience, and skills is required. SSE's Inclusion and Diversity Strategy includes a range of targeted initiatives, designed to embed a culture of inclusion with rich diversity as a result.

Measuring inclusion and diversity progress

To enable positive progress, SSE sets stretching and measurable ambitions that align with best practice and monitors progress against them. SSE's diversity ambitions for all employees and senior leadership are outlined in Tables 2 and 3 respectively.

SSE's workforce diversity

Through concerted efforts, SSE has significantly increased the proportion of employees disclosing their diversity data, so it can better understand its workforce. Over 2023/24, the employee diversity data disclosure rate increased from 39% in 2022/23 to 65%. This allows SSE to disclose more accurate information around its workforce diversity.

SSE has a wide range of initiatives to drive progress for representation across all diversity categories. Information on these initiatives, alongside actions taken to improve the quality of diversity data gathered, can be found in its Inclusion and Diversity Report 2024.

Employee sentiment on inclusion and diversity

I can be myself at work without worrying about how I will be accepted by colleagues

89%

(2022/23: 91%)

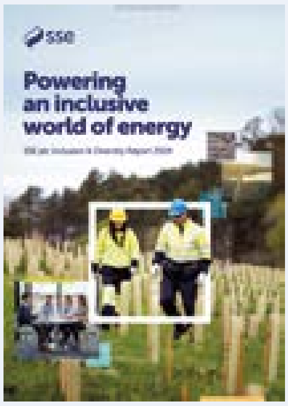
Table 2: SSE's progress against diversity ambitions for all employees*

Employee representation	Ambition Year	Ambition	31 March 2024	31 March 2023
Women	2030	33%	31.0% (9,586 men/ 4,305 women)	30.0% (8,525 men/ 3,655 women)
Employees with a disability	2030	8%	11.6%	8.9%
Ethnic minority	2030	15%	10.1%	8.1%
LGBTQIA+	2030	8%	4.1%	3.8%

* Data is collected on SSE's HR data reporting system. 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 65% disclosure rate at 31 March 2024 and a 39% disclosure rate at 31 March 2023. Data excludes those without facility to share data electronically.

SSE's Inclusion and Diversity Report 2024

Information around SSE's Inclusion and Diversity Strategy, and further detail around initiatives and performance can be found in SSE's Inclusion and Diversity Report 2024, available at sse.com/sustainability.



Apprentices get to grips with safety procedures at SSE's Perth Training Centre

Table 3: SSE's progress against senior leadership diversity ambitions

Diversity category	Ambition Year	Ambition	31 March 2024	31 March 2023
Proportion of women represented on:				
Board Group	Ongoing	50% with no less than 40%	41.7% (7 men/5 women)	46.2% (7 men/6 women)
Group Executive Committee (GEC)[1]			10.0% (9 men/1 women)	27.0% (8 men/3 women)
GEC[1] and direct reports (excl. administrative roles)	2025	40%	37.5% (50 men/30 women)	34.1% (54 men/28 women)
Leadership Group[2]	2030	40%	26.4% (948 men/340 women)	25.2% (812 men/274 women)
Proportion of ethnic minorities represented on:				
GEC[1] and direct reports (excl. administrative roles)	2027	6%	2.5%[3]	–

1 The GEC comprises all committee members and the committee secretary. The data reflects Catherine Raw stepping down from the GEC in January 2024 prior to her leaving SSE in April 2024. Finlay McCutcheon succeeds Catherine in the role of Managing Director, SSE Thermal and will join the GEC in September 2024.
2 Employees in SSE's senior level pay grades.
3 Based on an 88% disclosure rate at 31 March 2024.

Diversity in senior leadership

SSE's senior leadership gender diversity ambitions are outlined in Table 3. Senior leadership gender ambitions are set in line with the FTSE Women Leaders Review. In 2023, SSE established a new ambition to achieve 6% ethnic minority representation within its Group Executive Committee and direct reports by 2027. This new ethnicity target was set in line with the Parker Review recommendations. All senior leadership diversity ambitions are approved by the Group Executive Committee (GEC) and Board-level Nomination Committee.

When working towards ethnicity targets for senior leadership, all companies will have different starting points, and SSE believes that disclosing the baseline performance as well as the ambition is important to allow stakeholders to understand the specific context for different companies. When setting the target in December 2023, the representation of ethnic minorities in the GEC and direct reports was 1.2% (based on an 80% disclosure rate). This base line performance, combined with industry and geographical averages were all taken into account when setting the new ethnicity target. At 31 March 2024, representation of ethnic minorities had increased to 2.5% (based on an 88% disclosure rate).

In 2023/24, the Group Executive Committee and direct reports and SSE's Leadership Group saw increases in the proportion of women represented while there was a decline in the proportion of women represented on its Board and GEC. Changes in Board diversity reflect the stepping down of Sue Bruce after nine years tenure and is in line with the planned Board changes set out in the Annual Report 2023.

Full details of changes across membership of the Board and GEC, alongside the Nomination Committee focus are set out on pages 120 and 138 to 143.

SSE's gender pay gap

Between 2023 and 2024, SSE saw a positive trend in both its UK median and mean gender pay gap performance. SSE saw a drop of 3.3 percentage points in its median UK gender pay gap, which is the measure that SSE believes best reflects performance. This is the largest proportional drop in SSE's median UK gender pay gap since 2020, when SSE's workforce composition significantly changed after the sale of its domestic retail business in GB.

This reduction can be partly attributed to the impact of a targeted recruitment strategy and practice, through which SSE saw the ratio of women hired into senior level roles increase compared to the previous year. The gender pay gap for these senior level joiners was markedly lower than the gender pay gap for existing employees at the same level, and this has helped drive the overall gap downwards.

Further detail and discussion on SSE's gender pay gap statistics, including additional 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 2024, available at sse.com/sustainability. SSE will publish its Ireland Gender Pay Gap Report 2024 later in the year, in line with the Irish Government requirements.

SSE's UK gender pay gap performance 2024*

UK median gender pay gap

12.0%

(2023: 15.3%)

UK mean gender pay gap

10.5%

(2023: 12.1%)

* Data at 5 April in each year.

Protecting and restoring the natural environment

Nature plays an integral role in the transition to net zero. SSE carefully manages the interactions it has with the environment, aiming to mitigate any negative environmental consequences of its activities and ultimately to have a positive overall impact.

A strategic approach to environmental protection

The nature of SSE's activities means it has significant interactions with some of the most rich and remote environments in the UK and Ireland. SSE's Environment Strategy provides the framework to manage its environmental impacts. Underpinned by robust environmental management and governance, the strategy has two additional pillars focused on responsible consumption and production and the natural environment, aligned to three UN Sustainable Development Goals (SDGs) focused on the environment. The strategy is underpinned by an ethos of compliance and ensures that SSE is held accountable to its stakeholders for performance.

Due to the varied nature of operations and geographical locations, SSE's Business Units oversee their own tailored approaches to protecting and enhancing the natural environment, to support Group strategy.

SSE's Environment Strategy

Environmental management and governance

Providing a framework for the careful risk management of environmental impacts

Responsible consumption and production

Working towards more sustainable patterns of resource consumption; reducing reliance on nonrenewable and single use products

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Natural environment

Supporting the conservation, restoration and sustainable use of land and water resources

14 LIFE BELOW WATER

15 LIFE ON LAND

SSE's environmental performance

To ensure effective environmental management, SSE operates an environmental management system which sets controls, processes and procedures. All of SSE's businesses are now certified to ISO14001.

The number of environmental incidents in 2023/24, increased by 31% compared to the previous year, see Table 4. There were no major incidents, and the majority of incidents are minor, with an increased awareness of environmental issues helping to drive focus and action. The key serious incident areas included SF_6 leaks, oil related leaks, fluid filled cable leaks, and silt releases. A deep dive into these incident areas has been endorsed, see the Safety, Sustainability Health and Environment Advisory Committee Report on page 154. The number of environmental permit breaches as a result of SSE's activities totalled 19, compared to nine incidents in 2023/24, all self-reported and dealt with quickly when identified.

SSE's nature-related targets

SSE targets no 'net loss' in biodiversity on onshore large capital projects consented from 2023 and 'net gain' in biodiversity on those consented from 2025 onwards.

In 2023/24, SSE assessed that 33 of its onshore large capital projects consented from 1 April 2023 fell into the scope of this target. It has been assessed that all of these projects meet or exceed the target, with two having no net loss measures and 31 having biodiversity net gain measures included in the project design. More detail on progress against this target is outlined in SSE's Sustainability Report 2024 available at sse.com/sustainability.

In early 2024, SSE set a new commitment for woodland conservation, that all onshore large capital projects consented from 1 April 2024 onwards will achieve no net loss of native woodland.

For all onshore large capital projects, SSE has committed to delivering:

no 'net loss' in biodiversity
on those consented from 2023 onwards

'net gain' in biodiversity
on those consented from 2025 onwards

Table 4: SSE's environmental incident performance

	2023/24	2022/23
Number of major incidents	0	1
Number of serious incidents	40	31
Number of minor incidents	103	77
Environmental prosecutions and civil penalties	0	0
Permit/Licence breach	19	9

SSE's efforts to protect the natural environment stretch back to the earliest days of hydro

Aligning to nature-related disclosure frameworks

Over 2023/24, SSE took initial steps towards aligning nature-related disclosures to the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations. In early 2024, it worked with third-party specialists to identify SSE's most material nature-related impacts and dependencies at a Group-level, and map SSE's key assets and their proximity to relevant ecosystems or specified nature-related locations. This work represents the 'Locate' and 'Evaluate' phases of TNFD's Locate, Evaluate, Assess and Prepare (LEAP) framework, paving the way for a longer-term approach to identifying SSE's most material nature-related risks and opportunities. Further detail on this work can be found in SSE's Sustainability Report 2024 available at sse.com/sustainability.

Responsible resource use

Embedding sustainable patterns of resource consumption, underpinned by circular economy principles is a key strategic environmental objective.

Managing water use

SSE recognises that water resources and climate are inextricably linked. Water plays a significant role in SSE's operations, being used primarily as a source for power generation in hydroelectric generators and as a coolant in thermal power stations.

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

In 2023/24, total water abstracted by SSE slightly decreased to 23,135 million m^3 from 23,354 million m^3 the previous year. The vast majority (97%) of water abstracted in 2023/24 was used in SSE's hydro generation operations, and a similar volume of water passed through the hydro plant compared to the previous year. 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 decreased by 18% between 2022/23 and 2023/24, mainly as a result of a 22% reduction in thermal generation output. While water abstracted reduced, water consumed increased by 71% over the same period. This is due to a higher proportion of generation output from thermal power stations that use cooling towers, which recirculate water. While these power stations are more efficient and abstract less water than plant that uses once-through cooling systems, they consume more water due to evaporative losses as part of the cooling process.

Figure 6: Total water abstracted by SSE (excluding hydro generation) (million m^3)

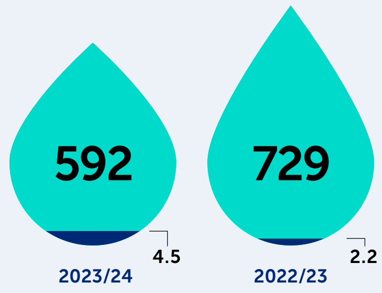


Table 5: SSE's water data

	Unit	2023/24	2022/23
Total water abstracted	Million m^3	23,135[a]	23,354[b]
Total water abstracted (exc. hydro generation)	Million m^3	597	731
Freshwater abstracted (rivers and groundwater) (exc. hydro generation)	Million m^3	4.5	2.2
Total water returned	Million m^3	23,133[a]	23,353[b]
Total water consumed	Million m^3	2.4[a]	1.4[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 Environmental Reporting Criteria 2024 on sse.com/sustainability.
(b) 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.

Managing air emissions

In 2023/24, emissions of nitrogen oxides (NOx) and sulphur dioxide (SO_2) both reduced compared to the previous year, as outlined in Table 6. This was predominantly due to a reduction in thermal generation output which resulted in a corresponding fall in air emissions. Tarbert oil-fired power station in Ireland ceased generation before April 2023 contributing to a significant reduction in SO_2 emissions of 67% in 2023/24 compared to 2022/23.

In previous years, SSE would disclose data for particulate matter (PM10) and mercury emissions from thermal generation plant, above a de-minimum threshold of 10 tonnes and 1kg respectively. In 2023/24, no plant produced emissions above those thresholds, and therefore were considered immaterial in terms of impact. More information can be found in SSE's Sustainability Report 2024 available at sse.com/sustainability.

SSE's energy consumption

Between 2022/23 and 2023/24, the energy SSE purchased for use in its assets (offices, depots, thermal power stations, gas storage facilities, and data centres) slightly increased by 1%. This increase was due to a reduction in output from thermal generation plant meaning SSE's plant was generating less energy for its own use, and therefore required it to purchase more electricity from the grid. Electricity consumption in SSE's gas storage assets remained relatively stable at 72% of the total electricity used from renewable sources.

Energy consumed in SSE's offices, depots and data centres increased by 15% compared to 2022/23. This was due to building occupancy rates increasing after the COVID-19 pandemic.

In 2023/24, SSE purchased 100% of its electricity for use in its directly managed offices from renewable sources, backed by renewable guarantees. In 2023/24, around 48% of the electricity that SSE purchased for its assets (offices, depots, thermal power stations, gas storage facilities, and data centres) was from renewable sources, down from around 52% the previous year.

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

Embedding circular economy principles

Over 2023/24, SSE diverted 97% of waste by tonnage from landfill and recycled 67% of waste by tonnage, exceeding the target it set for 95% and 50% respectively. SSE's 2024/25 performance target is to divert 95% of waste by tonnage from landfill and recycle 55% of waste by tonnage. SSE will continue to review its waste target to ensure that it remains stretching. For SSE's detailed waste data see the Sustainability Report 2024.

SSE is also working to embed circularity principles into its operations to minimise its environmental impact, enhance operational efficiency, strengthen resilience to resource shortages and create value for stakeholders. Over 2023/24, SSE continued to collaborate with stakeholders to create solutions for industry-wide challenges and support circular supply chains. An example of this is SSE Renewables' work with partners through the Coalition for Wind Industry Circularity (CWIC), which seeks to create a supply chain for the refurbishment and reuse of wind turbine components within the UK.

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 6: SSE's air emissions from thermal generation assets

	Unit	2023/24	2022/23
Sulphur dioxide (SO_2)	Tonnes	440	1,336
Nitrogen oxide (NOx)	Tonnes	3,646	3,870

Table 7: SSE's energy use data*

	Unit	2023/24	2022/23
Purchased heat from non-renewable sources – UK/Ire	GWh	4.8/0.06	3.3/0.06
Purchased electricity from renewable sources – UK/Ire	GWh	96.1/0.9	103.7/1.1
Purchased electricity from non-renewable sources – UK/Ire	GWh	105.3/0	97.9/0

* This table, in combination with the carbon performance information in table 2 on page 106, represents SSE's disclosures in line with the UK Government Streamlined Energy and Carbon Reporting requirements.

Review of the year

Energy market review

Opportunity and risks in a shifting landscape

Societal expectations, policy direction and market sentiment – combined with the overarching issues posed by climate change – present both risks and opportunities to SSE. Ultimately, these factors inform the strategic decisions we make and provide the backdrop to the operational and financial performance described in the review of the year that appears on the following pages.

A year of climate extremes

The climate emergency continued to worsen in 2023, with the warmest year on record creating more extreme weather across the globe. For the first time, global warming exceeded 1.5°C across an entire calendar year and sea temperatures set heat records for more than 365 days in a row due to climate change and the cyclical El Nino weather phenomenon that warms the Pacific Ocean.

For SSE, this reinforces the importance of a strategy to decarbonise, while continuing to ensure it builds and maintains assets that will withstand the changing weather patterns we're all experiencing. Deployment of renewables and low-carbon technologies at scale and speed is needed to combat further worsening of the impacts of climate change.

2023's weather events had an impact on SSE's generation fleet and output (see page 57). Managing electricity network resilience in the face of worsening weather events is crucial (see page 35), while diversifying the Group's renewables assets geographically to account for shifts in weather patterns is a key part of its strategy.

Consensus on climate

Key global stakeholders continue to support measures to combat climate change, with broad consensus on the need for action reflected in the deal reached at COP28. While the agreement in Dubai could have gone further on phasing out carbon, an important step was made to "transition away" from fossil fuels in energy systems. The agreement included targets to triple renewable capacity, and to accelerate the development of low and zero emissions technologies, like carbon capture and storage.

365 days
of record sea temperatures in 2023

While a positive step forward, the agreement is not a binding requirement and is left to individual nations to implement. But some constructive policy progress has been made – for example, the European Commission has now set out ambitious climate targets for 2040.

Geopolitical volatility

There is ongoing geopolitical volatility from Russia's invasion of Ukraine and the crisis in the Middle East. However, last year the market reaction was less extreme due to lower demand, the build-out of home-grown infrastucture improving national energy security and a refocusing on domestic supply chains. This has prevented further significant sector shocks, leading to reduced inflation globally, and economists forecast falling interest rates from 2024.

In February, the US gas price reached a 30-year low, and power prices have hit pre-pandemic levels in some places. While both remain highly susceptible to weather events and further geopolitical uncertainty that could be exacerbated by the outcomes of upcoming elections in leading economies, there is a measure of confidence in a global downward-trend from a very high-cost environment.

Stretched supply chains

The energy sector has felt the impact of supply chain issues in recent years, and this has had an impact on renewables construction – with significant impairments, delays and cancellations announced across the sector.

Cost increases and supply chain constraints have particularly affected the offshore wind sector, where costs have significantly outstripped expectations, leading to some projects no longer being viable under their agreed terms. Across the US and the UK, 15GW of offshore wind projects were cancelled or postponed in 2023.

The global supply chain has also been slow to recover from the after-effects of Covid-19 as it has struggled to meet post-pandemic surges in demand. This has led to supply chain capacity challenges across the sector, alongside increases due to rising commodity costs.

The renewables sector had shifted to a focus on volume and price, rather than value, which has resulted in an erosion of returns and challenges in delivering projects. There has since been a 'resetting' of the market and a more realistic cost-base

The component parts of one of the turbines at Viking wind farm

environment, helping to ensure projects generate returns that reflect the levels of risk involved.

This shift in focus away from sheer volume has suited SSE's approach to capital discipline, and its focus on value and delivery. This will continue to be SSE's strategy, as it ensures it creates value for society through deployment of vital assets, in a way that fairly remunerates shareholders for their risk and investment.

50%
2023 rise in global renewables capacity

The march of renewables

Even with the sector's challenges, an additional 50% of renewable capacity was added globally in 2023, driven by China, but with record growth rates also seen across Europe and the US.

The IEA highlights that there is now at least 510GW of renewables being built across the globe annualy, and this is expected to grow to 7,300GW by 2028. Renewables are also expected to overtake coal as the largest source of electricity generation globally by 2025. However, further developments are needed to hit the tripling of capacity required by 2030 to meet the targets agreed at COP28.

In the UK, the annual growth rate has slowed, and now lags other countries. 2023 was also a particularly challenging year for offshore wind with capacity auctions attracting no offshore bids, and projects cancelled or postponed. While there are indications that the next auctions will attract more participation due to better terms, more needs to be done to ensure the Government hits its 2030 targets.

The year of networks

Energy demand is expected to increase two-fold or more by 2050 as different sectors – including transport, heat and industry – electrify. Meeting that demand is estimated to require around US$21 trillion of investment worldwide.

Against this backdrop, 2023 was widely recognised as 'the year of networks' with numerous publications highlighting the importance of rapid build-out, particularly in GB.

The release of the Independent recommendations by the UK's Electricity Networks Commissioner, Nick Winser, highlighted the importance of accelerating transmission infrastructure to enable more low-carbon generation to be built.

This, and the wider acknowledgement by government and regulators that electricity networks are vital to net zero, has been welcomed by SSE, and led to a significant upweighting of capex plans.

The critical role of transmission and distribution networks in the future energy system is now clearer than ever

> "There continues to be broad international commitment to decarbonise the energy sector as quickly as possible and SSE stands ready to play its part while creating lasting value."

US$21 trillion
Global investment needed in networks

Policy pinch-points

In the UK, the Conservative Government rolled back on some of its key climate change commitments in 2023 – delaying the phase-out of petrol and diesel cars and heat decarbonisation commitments – but continued to pursue a decarbonised power system by 2035. Similarly, the Labour Opposition scaled back its green spending commitments, but held firm on its target of a decarbonised power sector by 2030.

While it is disappointing that targets have been scaled back, the ambitions to decarbonise remain, and SSE will continue to work constructively with current and future governments, advocating viable market design for the deployment of renewables, greater ambition on flexible generation technologies and streamlined planning and consenting frameworks for networks.

Focus on affordability

2023/24 was another challenging year for households, with affordability continuing to be a key concern. Energy costs remained higher than pre-pandemic levels, although other forms of inflation began to drop.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.2% in the 12 months to January 2024, down from a recent peak of 9.6% in October 2022. Ofgem announced that the energy price cap would drop by 12% from April 2024. This, alongside the falling inflation rate, should relieve pressure on consumers.

However, for SSE, affordability remains a key priority regardless of the environment and it remains focused on the underlying causes of high costs, rather than the short-term symptoms. Creating more low-carbon generation that can be produced at lower costs will cushion energy users from the impact of market shocks and strengthen the domestic economy and environment.

Energy market outlook

SSE has confidence in an improving policy and investment environment for renewables deployment and low-carbon thermal development. At the same time, there is momentum behind the UK's build out of transmission networks – a transformation in which SSE has a role to play.

While there is likely to be a period of instability globally in 2024's "year of elections", there continues to be broad international commitment to decarbonise the energy sector as quickly as possible and SSE stands ready to play its part while creating lasting value for shareholders and societies in the markets in which it operates.

Chief Financial Officer's review

Powering sustainable growth

A degree of uncertainty and volatility is an enduring feature of our sector, but we have shown in recent years that SSE continues to perform in a wide range of different market conditions.

To report such a strong performance in my first Full-year Results as Chief Financial Officer is gratifying, but perhaps not particularly surprising given the strength of our business and the clarity of our purpose. We finished the year at the higher end of our pre-close guidance thanks once again to the value-generating nature of our diversified business mix offsetting the impact of market and adverse weather conditions.

In 2023/24 that balanced business mix, combined with efficient operational delivery, provided earnings resilience and balance sheet stability in market conditions that were very different to the preceding two years.

Adjusted operating profits in our regulated networks businesses fell – mainly due to an inflationary lag on regulated tariffs which will be recovered in the coming year – while our market-based businesses proved their resilience by remaining broadly flat year-on-year. Combined with other businesses and corporate costs, this net result saw our adjusted operating profit dip slightly. We were pleased, however, to deliver adjusted Earnings Per Share of 158.5p, which was at the upper end of the guidance we provided to the market at pre-close.

Business performance

The performance of our individual businesses is described in detail in the following pages, so I will only summarise here. Increases in allowed revenues under the RIIO-T2 price control and a positive timing impact from tariffs saw SSEN Transmission's headline adjusted operating profit increase. SSEN Distribution's operating profit was lower year-on-year due to the timing of tariff setting mentioned above, meaning allowed revenues did not rise in line with inflation, a position that will reverse in FY25.

For the energy businesses, profitability in SSE Renewables reflected higher hedged prices combined with lower requirement for hedge buybacks, while higher year-on-year output reflected Seagreen offshore wind farm reaching full power. However, lower wind speeds in Scotland, and the affect of a number of named storms, resulted in lower onshore wind volumes year-on-year.

We saw strong financial performance in SSE Thermal with capacity from Triton Power and Keadby 2 power stations offering increased flexibility to the market alongside strong capacity auction results for future years.

Overall performance in 2023/24 was attributable to everyone at SSE – from senior management to the delivery teams edging us closer to net zero with each project milestone. And our financial standing today is attributable in no small part to the platform built by my predecessor, Gregor Alexander, who served as Finance Director for 21 years.

Exercising capital discipline

I came into the job of Chief Financial Officer with a clear objective of building on that platform and maintaining capital discipline as we respond to the exciting mix of opportunities and challenges that is coming through as we transition to net zero. In doing so, we will work to a rigorous investment criteria that places a premium on value that we will not compromise in pursuit of volume.

We have applied that discipline over the past year while investing £2.5bn, around 90% of which was directly focused on achieving our 2030 Goals. Our five-year £20.5bn Net Zero Acceleration Programme Plus capex plan is focused on renewables, flexible generation and electricity networks.

These are the three pillars of the future energy system, and they present a structural growth opportunity that SSE is well-placed to optimise.

The diversity of our portfolio enables us to allocate capital to where the best opportunities lie across the electricity value chain. The combination of must-build transmission projects and a renewables development pipeline that promises additional capacity volumes over the coming months and years creates two powerful sources of value for both shareholders and society.

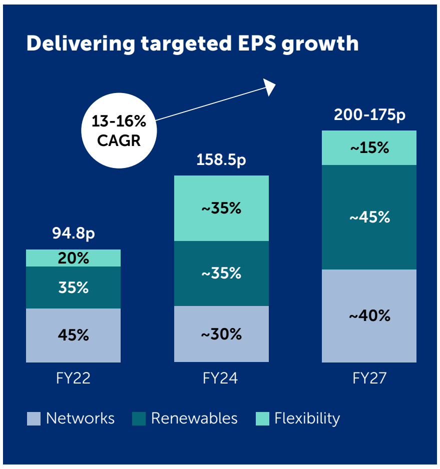
Balance sheet strength is key to this ability to pivot investment to the high-quality, long-term infrastructure that offers the best long-term returns. Last year, adjusted net debt increased to £9.4bn with 93% held at fixed rates, providing stability and predictability. This represents a Net Debt to EBITDA ratio of only 3 times, well within our strong investment grade ceiling of 4.5 times. We expect to be below this ceiling looking out to 2027, meaning that the NZAP Plus investment plan is comfortably funded within existing means. All of this is reflected in strong investment grade credit ratings.

Financial outlook

For 2024/25 we expect average operating profits will fall in SSEN Transmission, reflecting timing differences in cost recovery, offset by SSEN Distribution which is expected to benefit as tariffs catch up with recent inflation, correcting the slight lag in revenue.

We fully expect our renewables project pipeline will come to fruition, creating value from additional capacity volumes from a full year of operation at Seagreen wind farm as well as the commissioning of Viking onshore wind farm during the year. We also expect to see strong returns from Dogger Bank wind farm, despite the short-term delays described elsewhere in this report.

The ongoing impact of lower power prices is likely to be felt by SSE Thermal and Gas Storage, although it is worth noting that thermal operating profits are expected to remain above historical averages. This outlook once again reflects a resilient business mix that is capable of delivering in a range of different market scenarios.



Key financial metrics
(continuing operations)[1]

	Adjusted		Reported	
	Mar 2024 £m	Mar 2023 £m	**Mar 2024 £m**	Mar 2023 £m
Operating profit/(loss)	**2,426.4**	**2,529.2**	**2,608.2**	**(146.3)**
Net Finance (costs)/income	(251.7)	(345.6)	(113.1)	(59.3)
Profit/(loss) before tax	**2,174.7**	**2,183.6**	**2,495.1**	**(205.6)**
Current tax (charge)/credit	(371.0)	(358.8)	(610.7)	110.0
Effective current tax rate (%)	*17.1*	*16.4*	*25.6*	*(12.7)*
Profit/(loss) after tax	**1,803.7**	**1,824.8**	**1,884.4**	**(95.6)**
Less: hybrid equity coupon payments	(73.1)	(38.8)	(73.1)	(38.8)
Less: profits attributable to non-controlling interests	–	–	(100.8)	(23.6)
Profit/(loss) after tax attributable to ordinary shareholders	**1,730.6**	**1,786.0**	**1,710.5**	**(158.0)**
Earnings/(loss) per share (pence)	**158.5**	**166.0**	**156.7**	**(14.7)**
Number of shares for basic/reported and adjusted EPS (million)	1,091.8	1,075.6	1,091.8	1,075.6
Shares in issue at 31 March (million)[2]	1,093.4	1,090.3	1,093.4	1,090.3

1 Excluded discontinued operation relates to the disposal of the Gas Production business which contributed £nil to Reported profit for the year ended 31 March 2024 (2023: £35.0m profit).
2 Excludes Treasury shares of 2.8m in March 2024 and 3.6m in March 2023.

Dividend Per Share (pence)

	March 2024	March 2023
Interim dividend	**20.0**	29.0
Final dividend	**40.0**	67.7
Full Year dividend	**60.0**	**96.7**

Five-year focus

Our primary focus, however, is on achieving the targets we set ourselves for 2026/27 under the five-year NZAP Plus. We have full confidence in our 175-200p EPS guidance for 2027, based on the strength and resilience of our earnings growth, given the significant investment opportunities we are seeing across networks and renewables.

In networks, we have already agreed Ofgem capital programmes which will see SSE's annual capex spend more than triple from where it is today, generating significant "fast money" revenues upfront and RAV growth over the longer-term. When combined with a doubling of renewables output across the plan – and the reduction in tax rate from the extension of capital allowances – we are confident these growth drivers will offset any impact on our market-facing businesses from the prevailing energy commodity price environment and enable us to create value from investment in much-needed energy infrastructure.

Growth-enabling dividends

We are committed to remunerating shareholders with a dividend plan that gives us room to pursue the wealth of opportunities that are arising from the transition to net zero. In line with that commitment, we are recommending a final dividend of 60.0 pence per share and we continue to target dividend growth of between 5-10% per year over the final three years of the NZAP Plus.

The following pages, which contain greater detail on our performance in 2023/24, and more on our outlook for the remainder of the five-year plan, underline the success SSE is having in powering sustainable growth and provide further context for the confidence we have in our 2026/27 earnings forecast.

Barry O'Regan
Chief Financial Officer, SSE plc

21 May 2024

Group financial review

Year ended 31 March 2024
This Group Financial Review sets out the financial performance of the SSE Group for the year ended 31 March 2024. See also the separate sections on Group Financial Outlook, 2024/25 and beyond, and Supplemental Financial Information.

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.

The SSE Renewables and SSE Business Energy comparative results have been restated to reflect the transfer of responsibility for the Solar and Battery business to SSE Renewables and Building Energy Management Systems to SSE Business Energy. These businesses both transferred from SSE Enterprise, where comparative results are also restated.

The definitions SSE uses for adjusted measures are consistently applied and are explained – including a detailed reconciliation to reported measures – in the Alternative Performance Measures section of this document before the Financial Statements.

As announced alongside the NZAP Plus capital investment plan, and following completion of the Group's previous commitments to dividend growth, the 2023/24 dividend was rebased to 60.0 pence per share to support SSE's ongoing ambitions to accelerate investment in the assets required to reach net zero.

Operating profit performance for the Year to 31 March 2024

Business-by-business segmental
(continuing operations)

	Adjusted		Reported	
	Mar 2024 £m	Mar 2023 £m	**Mar 2024 £m**	Mar 2023 £m
Operating profit/(loss)				
SSEN Transmission	419.3	372.7	559.1	405.5
SSEN Distribution	272.1	382.4	272.1	382.4
Electricity networks total	**691.4**	**755.1**	**831.2**	**787.9**
SSE Renewables	**833.1**	**561.8**	**630.3**	**428.1**
SSE Thermal	736.1	1,031.9	644.4	1,089.5
Gas Storage	82.8	212.5	(42.2)	249.2
Thermal Total	**818.9**	**1,244.4**	**602.2**	**1,338.7**
SSE Business Energy	95.8	15.7	95.8	15.7
SSE Airtricity (NI and Ire)	95.0	5.6	94.5	5.2
Energy Customer Solutions Total	**190.8**	**21.3**	**190.3**	**20.9**
SSE Energy Markets (formerly EPM)	**38.9**	**80.4**	**590.0**	**(2,626.0)**
SSE Enterprise (formerly Distributed Energy)	**(25.6)**	**(7.0)**	**(25.6)**	**(13.1)**
Neos Networks	**(32.3)**	**(39.8)**	**(116.1)**	**(56.0)**
Corporate unallocated	**(88.8)**	**(87.0)**	**(94.1)**	**(26.8)**
Total operating profit/(loss)	**2,426.4**	**2,529.2**	**2,608.2**	**(146.3)**
Net finance (costs)/income	(251.7)	(345.6)	(113.1)	(59.3)
Profit/(loss) before tax	**2,174.7**	**2,183.6**	**2,495.1**	**(205.6)**

Notes: 2022/23 segmental numbers above restated to reflect movement of Solar and Battery business to SSE Renewables and Building Energy Management Systems to SSE Business Energy, both previously reported under SSE Enterprise. Excluded discontinued operation relates to the disposal of the Gas Production business which contributed £nil to Reported profit for the year ended 31 March 2024 (2023: £35.0m profit).

Segmental EBITDA results are included in **Note 5** ➋ to the Financial Statements.

Operating profit

Adjusted and reported operating profits/losses in SSE's business segments for the year to 31 March 2024 are set out below; comparisons are with the same period to 31 March 2023 unless otherwise stated.

SSEN Transmission: Adjusted operating profit increased by 13% to £419.3m from £372.7m in the prior year. 25% of this business was divested on 30 November 2022 and the prior year comparative therefore includes 100% of the operating profit for the business for the first eight months of the year and 75% thereafter, whilst the current year includes 75% of the operating profit for the full year. If the prior year comparative was normalised for this basis difference of £(68.6)m, adjusted operating profit would have increased by 38%.

SSEN Transmission saw a significant increase in allowed revenues during the year, reflecting both the increased portfolio of works under the RIIO-T2 price control as well as inflation uplifts in line with the regulatory framework, together with a positive timing variance following under-recovery of revenues in the previous year. These were partially offset by increases in operating costs as the business continues to grow its operational capabilities and depreciation as the asset base expands.

Reported operating profit increased by 38% to £559.1m compared to £405.5m, reflecting all of the movements above except for the non-controlling interest basis difference, as non-controlling interests are fully consolidated for all profit metrics under IFRS.

SSEN Distribution: Adjusted and reported operating profit decreased by 29% to £272.1m compared to £382.4m in the prior year.

The price control allowed revenue for 2023/24 is based on tariffs which were set in December 2021 and therefore over this period do not reflect the inflationary increases to the operating cost base since that date, which will be recovered in the 2024/25 financial year. As a result, the decrease in operating profit during the year principally reflects the increase in the operating cost base due to inflation alongside higher network costs due to maintenance volumes. The operating result also includes around £18m of additional fault and repair costs as the business reacted to a year with ten named storms as well as additional depreciation charges as the asset base expands under RIIO-ED2.

SSE Renewables: Adjusted operating profit increased by 48% to £833.1m from £561.8m in the prior year. The increase in profitability was largely driven by the growth in revenues during the year due to a combination of the higher power price environment combined with additional operating capacity which more than offset the lower wind speed environment in Scotland. Renewables forward hedged prices at the start of the year were between 35 – 40% higher than the previous year, reflecting forward hedging activity in a higher price environment. The increase in operational capacity as Seagreen offshore wind farm reached full commercial operations during October 2023, combined with the prior year reflecting a £(143)m one-off buy-back costs relating to Seagreen volumes hedged but not delivered, further improved the year-on-year result. However, this was partially offset by 4% lower wind speeds in Scotland which, when combined with the impact of ten named storms, meant onshore wind volumes were c.6% down year-on-year. Finally, at the operating cost level, the cessation of Balancing Services Use of System (BSUoS) charges as part of the network charging reform was offset by an increase in staff costs driven by inflation and increased headcount due to organic growth of the business.

Reported operating profit increased by 47% from £428.1m to £630.3m. In addition to the factors above, this is reflective of an increase in the share of Joint venture interest and tax of £(42.7)m and a £(37.4)m remeasurement on SSE's affiliate CfD arrangements which are classified as derivative contracts.

SSE Thermal: Adjusted operating profit decreased by 29% to £736.1m, compared to £1,031.9m in the prior year. This decrease is largely driven by the lower spark spread and lower volatility market environment, as energy commodity prices normalise down during the second half of the year from the peaks reached in 2022/23. This decrease was partially offset by a full year of financial contribution from 893MW Keadby 2 which entered full operations in March 2023 and therefore contributed to overall gross margin improvements.

Reported operating profit decreased by 41% to £644.4m, compared to £1,089.5m in the prior year which included a net gain of £128.0m from a number of exceptional items and remeasurements. Lower forward power prices has meant the current year result includes a £(15.4)m net remeasurement on Triton Power operating derivatives reflecting lower levels of in-the-money hedges compared to prior year. The power price environment also meant a £(63.2)m impairment was recognised on the Triton Power investment, as the previous years have seen strong realised cashflows from the asset. The reported result also reflects SSE's share of Joint Venture Interest and Tax expenditure decreasing from £(60.4)m in the prior year to £(13.1)m in the current year.

Gas Storage: 61% to £82.8m, compared to £212.5m of profit in the prior year. The prior year result reflected a more volatile gas market as well as an inversion of the typical spread between higher-priced winter gas and lower-priced summer gas due to low Russian gas supplies and high demand as gas stores were built up. Whilst the year saw increased volumetric trading, this was offset by less overall volatility in the gas market and lower gas prices which therefore decreased trading profits.

Reported operating loss decreased 117% to £(42.2)m from a profit in the prior year of £249.2m. In addition to the movements above, the prior year included an impairment reversal of £45.7m compared to an impairment charge in the current year of £(134.1)m, reversing prior write-backs and reflecting a lower point-in-time estimate of future gas prices and lower volatility assumptions. In addition, the reported results include a £9.1m revaluation gain on gas held in storage, compared to a £(9.0)m loss in the prior year.

SSE Business Energy: Adjusted and reported profitability increased to £95.8m in the year compared to £15.7m in the prior year. The business has seen a challenging three years of profits below expectations due firstly to the global pandemic and then followed by a period of extreme commodity price volatility which affected consumer demand. The current year has seen the business return to a higher level of profitability, reflecting the well-established competitive pricing and hedging controls. However, it still remains a challenging environment for consumers and customer-facing businesses with bad debt expenses increasing by £5m on the prior year. During the year, the business established a £15m customer support fund for small businesses, voluntary and charitable organisations. The business has also seen an increase in its operating cost base during the year reflecting the implementation of a new customer management system called Evolve.

SSE Airtricity: Adjusted profitability increased to £95.0m from £5.6m in the prior year. This was aided by an increase in income from wind farms contracted to SSE Airtricity which rose from £28m in the prior year to £74m in the current year. The prior year saw Airtricity respond to the challenging circumstances faced by its domestic energy customers during the year by committing to not make a profit through tariff delays, price freezes for vulnerable customers and a €25m customer fund. Residual profits from the previous financial year of £5.6m were also redistributed in April 2023 via customer credits Supporting customers continued to be the main focus during the current year, with two tariff reductions implemented and continuation of financial supports for vulnerable customers. Increased consumer demand combined with reduced commodity price volatility has meant supply margins have returned towards more normalised levels this year.

Reported operating profit increased to £94.5m compared to £5.2m in the prior year reflecting a £(0.1)m change in the share of interest and tax from Joint Ventures, in addition to the movements above.

SSE Energy Markets (formerly Energy Portfolio Management): Adjusted operating profit has decreased to £38.9m from a £80.4m profit in the prior year. Energy Markets continues to generate a relatively low level of baseline operating earnings through service provision to those SSE businesses requiring access to the Energy Markets. In addition, the business is permitted to take optimisation opportunities whilst managing liquidity and shape on external trades, but these optimisation opportunities are subject to strict internal VAR limits and controls. The business also looks to add value through contracting for third party PPA and route to market contracts and significant value is also generated from the optimisation of green certificates such as ROCs and REGOs. The decrease in year-on-year profitability is mainly due to a lower level of volatility and price of power and gas trades in the market, which has driven lower profits from trading, optimisation activities and wind PPA contracts.

Reported operating profit increased to £590.0m from £(2,626.0)m in the prior year. In addition to the movements above, the reported operating result includes the net remeasurement gain on forward commodity derivatives in the year relative to loss on the same remeasurement in the prior year. In line with previous years, these IFRS 9 remeasurements exclude any remeasurement of 'own use' contracts and are unrelated to underlying operating performance.

SSE Enterprise (formerly Distributed Energy): An adjusted operating loss of £(25.6)m was recognised, compared to a loss of £(7)m in the prior year. The business continues to incur planned losses as it invests to support business growth in localised and flexible, smart energy infrastructure.

Reported operating losses increased to £(25.6)m from £(13.1)m, with the prior year reflecting an exceptional charge of £(6.1)m which mainly related to provisions in connection with the sale of the Contracting and Rail business in June 2021.

Neos Networks: SSE's remaining 50% share in the Telecoms business Neos Networks Limited recorded an adjusted operating loss of £(32.3)m compared to £(39.8)m in the prior year, reflecting planned losses incurred to support future business growth, and a reported operating loss of £(116.1)m compared to a loss of £(56.0)m in the prior year.

The reported result in the current year includes an exceptional impairment of £(73.6m), reflecting the wide range of reasonably probable valuations for this business.

Corporate Unallocated: Adjusted operating loss of £(88.8)m compares against a loss of £(87.0)m in the prior year. The result reflects lower revenue recovered from disposed businesses following the cessation of transitional service contracts established as part of the strategic disposal programme completed in 2022, which have been offset by gains on disposal of £9m, and the unwind of liabilities associated with financial and performance guarantees.

Reported operating losses rose from £(26.8)m in the prior year to £(94.1)m, with the prior year benefiting from a £50.5m positive revaluation adjustment on legacy Gas Production decommissioning provisions relative to a £(9.9)m downward adjustment to the same provision in the current year. This is partially offset by an exceptional credit of £4.6m relating to the reacquisition of Enerveo Limited – the Contracting and Rail business that was previously sold by SSE in June 2021. SSE is currently conducting a review to develop and then implement a longer-term strategy for each part of the Enerveo business. Further details of the transaction are contained in the Financial Statements.

Adoption of IFRS 17 "Insurance Contracts"

On 1 April 2023, the Group adopted IFRS 17 'Insurance Contracts' on a modified retrospective basis from the earliest period presented.

The Group provides guarantees in respect of certain activities of former subsidiaries and to certain current joint venture investments. Prior to adoption of IFRS 17, these contracts were designated as insurance contracts under IFRS 4 'Insurance Contracts' ('IFRS 4'). Under IFRS 4, existing accounting practices were grandfathered and the contracts were treated as contingent liabilities until such time as it became probable the Group would be required to make payment to settle the obligation. The adoption of IFRS 17 from 1 April 2022 resulted in a reassessment of these contracts and the Group elected to apply the valuation principles of IFRS 9 to these contracts. Adoption resulted in the recognition of financial guarantee liabilities of £54.9m; a £22.7m increase in equity investments in joint ventures and associates; and a £32.2m adjustment to retained earnings. On 1 September 2022, the Group acquired a 50% joint venture investment in Triton Power Holdings Limited ('Triton') and provided parent company guarantees to Saltend Cogeneration Company Limited, a subsidiary of Triton. In the comparative year to 31 March 2023, the Group has therefore recognised a further £16.0m increase to the Group's financial guarantee liabilities to reflect this guarantee and a £16.0m increase to the Group's equity investment in Triton.

During the current year to 31 March 2024, the Group recognised a net decrease in financial guarantee liabilities of £31.4m, a reduction in the value of its joint venture investments of £6.9m and a settlement of £12.0m resulting in a net income statement credit of £12.5m, of which £5.1m has been treated as exceptional. The reduction in the year is primarily due to the expiration of guarantees provided to joint ventures.

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 on net pension liabilities, exceptional items, depreciation on fair value adjustments, revaluation adjustments to the retained 60% Gas Production decommissioning obligation, results attributable to non-controlling interest holders and the impact of certain remeasurements.

SSE's adjusted EPS measure provides an important and meaningful measure of underlying financial performance. In adjusting for these items, 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 please refer to the Adjusted Performance Measures section of this statement.

In the twelve months ended 31 March 2024, SSE's adjusted earnings per share was 158.5p. This compares to 166.0p for the previous year and reflects the movements in adjusted operating profit outlined in the section above in addition to lower year-on-year net finance costs which were largely offset by higher taxation charges and coupon payments on hybrid bonds as set out in the Supplemental Financial Information section below.

Financial outlook – 2024/25 and beyond

Financial outlook for 2024/25

SSE continues to focus on delivering long-term sustainable financial performance through implementation of its five-year NZAP Plus capex plan. And whilst energy prices have normalised from the highs seen over the last 24 months, SSE remains confident that its balanced business mix will continue to deliver strong and sustainable operating profit over the coming years.

In line with historical practice, and consistent with the approach taken before the period of extreme market volatility seen over the last couple of years, SSE is not providing full earnings guidance for 2024/25 at this stage of the financial year reflecting the inherent seasonality within its business. However, the Group has set out the following expectations for the forthcoming year:

- **SSEN Transmission** – It is expected that operating profit will be lower than the prior year as the taxation benefit from "full expensing" for qualifying capital expenditure is passed through to consumers through reduced tariffs. This is accompanied by an increase in the operational cost base as the business prepares to deliver over £20bn of capital investment in LOTI and ASTI projects over the rest of the decade.
- **SSEN Distribution** – It is anticipated that operating profit will be significantly higher than the prior year outturn, with the expected inflationary catch-up in tariffs expected to more than double operating profit.
- **SSE Renewables** – The c.30% increase in hedged prices during the year combined with additional volumes from key capital projects such as Seagreen (full year impact), Viking (operations expected in summer 2024) and Dogger Bank A (phased towards the end of the year) means that operating profits are expected to increase significantly year-on-year.
- **SSE Thermal and Gas Storage** – It is now expected that operating profit will be significantly lower than the prior year outturn, reflecting the continued normalisation of energy commodity prices seen in current forward price curves. However operating profit is expected to be higher than historical averages, and even with a low-case volatility scenario which limits the amount of extrinsic value the operating plant can capture, more than £200m.
- **Energy Customer Solutions** – It is expected that the stabilisation in customer margins seen through 2023/24 will continue into the 2024/25 financial year.

These expectations are subject to normal weather conditions, current market conditions and plant availability.

Following the rebase of the dividend to 60p for 2023/24, the 2024/25 financial year is expected to see the dividend increase by between 5 – 10%, in line with a commitment to aligning future dividends with SSE's ambitious growth profile.

Capital expenditure and investment in 2024/25 is expected to significantly increase to over £3bn, reflecting a ramping up of project delivery during the year, with the net debt to EBITDA ratio expected to be towards the lower end of the 3.5 – 4.0x targeted range.

Net Zero Acceleration Programme Plus

Since releasing SSE's original Net Zero Acceleration Programme – or NZAP – in November 2021, energy market and wider economic disruption has amplified the shareholder and societal benefit that comes from a balanced energy business with a strategic focus aligned with the transition to net zero.

In an operating environment impacted by geopolitical conflict, abnormal meteorological patterns and economic volatility, SSE's purpose to provide energy needed today while building a better world of energy for tomorrow continues to enjoy broad political and societal consensus.

The progress made in delivery of a strategy that creates 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, coupled with growing momentum behind the global green transition, saw SSE upgrade the targets, ambitions and investment mix twice in the 24 months since the original NZAP was released.

NZAP Plus – an upweighted £20.5bn Five Year Investment Programme

SSE's strategy is built on the knowledge that the three pillars of networks, renewables and flexibility will be the foundations of the future energy system. The optionality and balance of the Group's business mix means that investment will pivot across the value chain, reacting to visibility of growth opportunities as well as relative attractiveness of returns. As ever, this optionality will be exercised in line with SSE's commitment to rigorous capital discipline.

The update to the NZAP presented in May 2023 reflected the strong progress made in delivering the original investment plan, whilst recognising the impact from a changing macroeconomic environment. And, in November 2023, the Group announced a further revision to increase its investment programme as a result of the increased visibility over the scale of investment opportunities available to SSEN Transmission.

This increase, which will now see the Group invest around £20.5bn over the five years to 2026/27, has the effect of upweighting the proportion of regulated electricity networks spend as outlined below:

Investment Plan (5 years)	NZAP (Nov 2021)	NZAP+ (May 2023)	NZAP+ Nov 23 update
Total adjusted investment	~£12.5bn	~£18.0bn	~£20.5bn
– Electricity networks	~40%	~50%	~55%
– Market based	~60%	~50%	~45%

Following this increase, SSE anticipates the investment will be focused on:

- **SSEN Transmission (~37% or ~£7.5bn)** to continue to comprise the majority of expected investment in regulated electricity networks. With the RIIO-T2 baseline investment programme continuing at pace, there is ever increasing visibility over incremental investment across three Large Onshore Transmission Investment ('LOTI') projects that have received approval of need from Ofgem, in addition to the early construction costs required for the eight Accelerated Strategic Transmission Investment ('ASTI') framework projects. These eleven projects – which are currently estimated to require a gross nominal investment of c.£20bn to deliver by 2030 – continue to progress and are expected to drive gross RAV for this business to at least £10bn by the end of 2026/27.
- **SSEN Distribution (~17% or ~£3.5bn)** remains on track to deliver its £3.6bn RIIO-ED2 investment programme. This baseline investment – alongside growth opportunities from Uncertainty Mechanisms which are already being secured – is expected to increase gross RAV to between £6 – 7bn by the end of 2026/27.
- **SSE Renewables (~34% or ~£7bn)** is continuing to deliver on its ambitious construction programme, with critical milestones achieved in the year such as full power from Seagreen offshore wind farm and first power from Dogger Bank offshore wind farm. Whilst the target to reach around 9GW of installed capacity by 2026/27 remains, the business continues to focus on financial discipline and selective renewables growth only where it is value accretive. With that focus, the allocation of capital continues to move across a diverse mix of renewable technologies such as battery storage projects where almost 700MW of capacity is currently in operation or under construction.
- **SSE Thermal and other businesses (~12% or ~£2.5bn)** comprise the remaining expected investment, with SSE Thermal's pipeline of lower-carbon generation projects – such as sustainable biofuels, carbon capture and ultimately hydrogen – continuing to make progress over the last 12 months.

With around 90% of the upweighted investment plan expected to be invested in electricity networks and renewables, the substantial majority is focused on climate solutions to achieve SSE's 2030 Goals which are linked to its most highly-material UN Sustainable Development Goals (SDGs) and aligned to the Technical Screening Criteria of the EU Taxonomy.

Fully-funded investment plan, with continued strong balance sheet

SSE has demonstrated its ability to realise value from disposals, create sustainable earnings growth and raise capital at highly attractive terms. In the current period, £1.1bn of long-term debt was issued at attractive, fixed coupons.

The Group's business mix, 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.

And the financial strength of the Group and continued earnings growth means that it expects to still be within or below the target range of 3.5 – 4.0x net debt/EBITDA over the course of the plan to 2026/27.

Maintaining disciplined investment and returns

SSE maintains its focus on allocating capital based on clear internal investment criteria intended to maximise investment returns whilst ensuring delivery of its strategy.

Against the backdrop of a changing macroeconomic environment, SSE remains fully committed to its disciplined approach of focusing investment on high-quality assets where its capabilities can deliver favourable risk-adjusted project returns, namely continuing to target:

- **Solar:** returns between 50-300 bps over WACC for unlevered projects, depending on the balance of merchant, technology and construction risk for each project;
- **Onshore wind:** returns between 100-300 bps over WACC for unlevered projects, also depending on the balance of merchant, technology and construction risk for each project;
- **Offshore wind:** more than 11% equity returns (excluding developer profits but including seabed lease fees) 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%; and
- **Emerging technologies (principally Batteries, CCS and Hydrogen):** between 300-500 bps over WACC for unlevered projects, reflecting the expected increased operating and technology risk from newer, first-of-a-kind technologies.

These investment criteria – and targeted returns – continue to be applied in both domestic and overseas markets.

Updating segmental earnings guidance to 2026/27
The enhanced NZAP Plus capex plan was first announced in a period of extreme market volatility which saw individual businesses such as SSE Thermal and Gas Storage successfully navigate rapidly changing market condition. Whilst the market has begun to normalise, the strength and resilience of our balanced mix of businesses means we continue to have confidence in the long term earnings growth for the Group.

Taking into account the current forward price curves as well as progress made on key capital projects, we therefore set out the following updated expectations for segmental earnings to 2026/27:

- **SSEN Transmission** – The upweighting of investment towards Networks is also expected to upweight the adjusted operating profits (net of 25% Non-Controlling Interest) to more than £500m per annum on average across the five-year plan. The profile of earnings growth is expected to largely follow the profile of increased capital expenditure as the business receives an upfront revenue benefit through the regulatory mechanism.
- **SSEN Distribution** – In line with previous expectations, and reflecting the predictability of the regulatory businesses, we continue to expect to deliver expected adjusted operating profits of around £450m per annum on average across the five-year plan.
- **SSE Renewables** – Reflecting a lower baseload power price assumption for 2026/27 of c.£65/MWh, this business is now forecast to deliver a ~19% adjusted profit CAGR across the five-year plan, subject to weather and plant availability.
- **SSE Thermal and Gas Storage** – Following the continued normalisation of energy commodity prices seen in current forward price curves, it is now expected that the existing efficient, flexible thermal fleet will deliver adjusted operating profits of around £400m on average for the four financial years to 2026/27. The profile of earnings are expected to significantly rise towards the end of the plan, reflecting the upweighted revenue from contracted and index linked Capacity Market payments which are expected to increase by ~2.5x from 2024/25 to 2026/27.
- **Energy Customer Solutions** – Following an extended period of challenging conditions with a global pandemic followed by the extreme commodity price volatility, the stabilisation in margins seen during 2023/24 for the SSE Business Energy and SSE Airtricity businesses are expected to continue throughout the medium term.

Reaffirming expected earnings growth and dividend plan
Taking account of the Group's latest view of renewables and networks project delivery out to 2026/27, in addition to the normalisation of market prices seen over the course of the last few months, SSE continues to have confidence in reaching its 175 – 200p adjusted earnings per share guidance range for 2026/27. The increased visibility over investment through regulatory approvals for network upgrades, the progress made on the 2.8GW of renewable projects under construction and the extension of "full expensing" capital allowances[1] more than offset the current normalisation of market prices.

This view assumes a ~£65/MWh nominal baseload power price for renewable output in 2026/27; no assumed developer profits on project sell-downs; normal weather and plant availability; a ~4.5% average cost of debt across the plan which in turn assumes a 5.5% coupon on new debt issuance; and a ~12% average effective tax rate across the five-year plan.

Reflecting the SSE plc Boards' confidence in delivering this future earnings growth, the commitment to target dividend increases of between 5 to 10% per year across 2024/25, 2025/26 and 2026/27 – following the rebase to 60 pence per share in 2023/24 – remains unaffected. This plan 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 buy-back.

Supplemental financial information

Adjusted Investment and Capex Summary	Mar 2024 Share %	**Mar 2024 £m**	Mar 2023 £m
SSEN Transmission (excluding 25% MI from 1 Dec 2022)	24%	595.6	495.5
SSEN Distribution	21%	505.1	421.0
Regulated networks total	**45%**	**1,100.7**	**916.5**
SSE Renewables	**45%**	**1,097.1**	**911.5**
SSE Thermal	4%	99.6	153.2
Gas Storage	–	0.8	6.3
Thermal Energy Total	**4%**	**100.4**	**159.5**
Energy Customer Solutions	2%	58.5	49.8
SSE Energy Markets (formerly Energy Portfolio Management)	–	8.6	4.7
SSE Enterprise (formerly Distributed Energy)	2%	51.0	50.3
Corporate unallocated	2%	60.4	68.3
Adjusted investment and capital expenditure	**100%**	**2,476.7**	**2,160.6**
Acquisitions		–	642.7
Adjusted investment, capital and acquisitions expenditure		**2,476.7**	**2,803.3**

Note: 2022/23 segmental numbers above restated to reflect movement of Solar and Battery business to SSE Renewables and Building Energy Management Systems to SSE Business Energy, both previously reported under SSE Enterprise

SSE'S capital expenditure programme

During the 12 months to 31 March 2024, SSE's adjusted investment, capital and acquisitions expenditure totalled £2,476.7m, compared to £2,803.3m in the same period last year. The reduction is driven largely by prior period acquisition expenditure relating to the purchase of the Southern European onshore wind development platform, and

1 On 22 November 2023, as part of the 2023 Autumn Statement, the UK Government announced they would make permanent their first year "full expensing" capital allowances regime. This regime, which was previously set to expire on 1 April 2026, means that companies are able to claim a 100% allowance for short-life assets (less than 25 years) and a 50% allowance for long-life assets (more than 25 years). Within SSE's Electricity Transmission and Distribution businesses, the regulatory agreements mean that any reduction in tax payable from full expensing will be passed through to consumers through lower regulated revenues with no net earnings impact for SSE. However, SSE's unregulated businesses will benefit from this permanent change in tax relief, as capital allowances on new investment will be received quicker than under the previous regime.

the acquisition of Triton Power Holdings, in separate transactions which both completed on 1 September 2022.

Investment in the reporting period was driven mainly by SSE's renewables and electricity networks divisions, with limited deployment of capital in thermal and other businesses, and no acquisitions expenditure.

In **SSEN Transmission**, £595.6m net capex was delivered, including £102m on the final stages of the Shetland connection with offshore works now complete and the project in the final commissioning phase. The East Coast Upgrade to 400kv also progressed well with a further £117m invested during the period, which sees the first of three phases complete and successfully energised. A further £41m was also invested as part of the Eastern Green Link 2 and 3 preliminary works.

The first year of **SSEN Distribution**'s RIIO-ED2 saw capex increase by 20% to £505.1m, with a continued focus on network resilience and future proofing for the expected consumer-led uptake in low-carbon technology. £210m of this was delivered in the North in a wide variety of projects with £53m of this invested in subsea cables, including the Pentland Firth East cable which energised during the period. In the South, £295m of capex was delivered during the period across a broad range of projects, with significant investment in Bramley Thatcham and Iver Reinforcement.

SSE Renewables invested a total of £1,097.1m during the period, including £219m on Viking onshore wind farm on Shetland, where all turbines have now been installed and commercial operations are expected in Summer 2024. In Ireland, £90m of capex was delivered on the construction of the 101MW Yellow River wind farm, which is targeting commissioning in early 2025. In the North Sea, Seagreen offshore wind farm reached commercial operations in October 2023 and £86m equity was drawn down to fund the final stages of construction. £158m of combined equity and shareholder loans were drawn to fund construction works which are underway at Dogger Bank A, which has previously been funded by non-recourse project financing in the Joint Venture.

In **SSE Thermal**, investment totalled £100.4m in the period, £30m of which was incurred on Slough Multifuel station, a joint venture with CIP, which achieved first fire in March 2024.

SSE's hedging position at 31 March 2024

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.

	2023/24	2024/25	2025/26	2026/27
Wind				
Total energy output volumes hedged – TWh	**5.5**	**6.4**	**5.2**	**1.5**
– Hedge in electricity & equivalents – TWh	5.5	4.1	2.0	0.7
– Electricity hedge price – £MWh	£75	£91	£93	£80
– Hedge in Gas – TWh	–	2.3	3.2	0.8
– Gas hedge price – £MWh	–	£122	£77	£56
Hydro				
Total energy output volumes hedged – TWh	**3.0**	**2.9**	**1.9**	**0.6**
– Hedge in electricity & equivalents – TWh	3.0	1.8	0.6	0.2
– Electricity hedge price – £MWh	£86	£96	£90	£74
– Hedge in Gas – TWh	–	1.1	1.3	0.4
– Gas hedge price – £MWh	–	£120	£82	£56

Note: where gas and carbon trades have been used as a proxy for electricity, a constant 1 MWh:69.444 th and 1MWh:0.3815 te/MWh conversion ratio between commodities has been applied. These same ratios have been used to convert underlying commodity prices into electricity £MWh and therefore no assumptions have been made on either spark or carbon.

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

SSE Renewables – GB wind and hydro: Energy output hedges are progressively established through the forward sale of either:

- Electricity – where market depth and liquidity allows;
- Gas and carbon equivalents – recognising that spark spread exposures remain; or
- Gas equivalents only – recognising that carbon and spark spread exposures remain.

This approach was developed in response to lower levels of available forward market depth and liquidity for certain energy products. Whilst some basis risk or commodity exposure will remain under this approach, it does facilitate the reduction of SSE Renewables' overall exposure to potentially volatile spot market outcomes.

For transparency, the table above notes both the proportion of hedges and prices of those hedges for electricity and equivalents (i.e. where gas and carbon equivalents have been hedged) and for gas alone (i.e. where the carbon leg has been unable to be hedged).

The table excludes additional volumes and income for Balancing Mechanism 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.

The hedged volumes include SSE's equity share of forecast pre-CFD volumes from Seagreen offshore wind farm and Viking onshore wind farm. No volumes have been included for Dogger Bank offshore wind farm as hedging for this asset has not yet commenced.

For renewable energy output, SSE's established approach seeks to minimise the volumetric downside risk 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 market and wind capture insights. The last such revision occurred in September 2023, setting a baseline target hedge of around 80% of the anticipated energy output from wind and hydro for the coming twelve months from that date.

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 also depends on the level of available market depth and liquidity).

Target hedge levels are achieved through the forward sale of either electricity or a combination of gas or carbon equivalents as outlined above. 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 or decrease it. Likewise, when gas hedges are subsequently converted into electricity hedges ahead of delivery, a carbon-and-spark spread value is realised which will also lead to changes in the average hedge price expected.

GB Thermal: In the 6 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 2024, 40 mTh of gas inventory was physically held which represents c.21% of SSE's share of gross capacity (at 31 March 2023, 126mTh of gas inventory representing c.65% of SSE's share of gross capacity).

SSE 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, SSE Business Energy is dynamically monitoring nearer term consumption actuals for early signs of demand variability and adjusting future volumes hedged accordingly.

SSE Energy Markets: This business 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 position-taking to permit this business to manage around shape and liquidity whilst taking optimisation opportunities. This has been contained within a total daily VAR limit of £5m, which will be increased to £9m from 1 April 2024 to reflect growing optimisation opportunities as the SSE portfolio expands.

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 2024, SSE recognised a net exceptional charge within continuing operations of £(266.0)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
Triton Power impairment	(63.2)
Gas Storage impairment	(134.1)
Neos Networks impairment	(73.6)
Enerveo reacquisition (previously SSE Contracting)	4.6
Other	0.3
Total exceptional charge	(266.0)

Note: The definition of exceptional items can be found in **Note 3.2** of the Financial Statements.

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

Certain remeasurements

In the year ended 31 March 2024, SSE recognised a favourable net remeasurement within continuing operations of £513.5m before tax. The following table provides a summary of the key components making up the favourable movement:

Certain remeasurements within continuing operations	Total £m
Operating derivatives (including share from jointly controlled entities net of tax)	498.3
Commodity stocks held at fair value	9.1
Financing derivatives	6.1
Total net favourable remeasurement	513.5

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 2024 is expected to be within the next 6 – 18 months.

The change in the operating derivative mark-to-market valuation was a £498.3m positive movement from the start of the year, reflecting a £452.2m positive movement on fully consolidated operating derivatives combined with a £46.1m share of positive movement on derivatives in jointly controlled entities (net of tax) driven by commodity contract revaluations.

The positive movement of £452.2m on fully consolidated operating derivatives includes:

- Settlement during the year of £1,025.3m of previously net "out-of-the-money" contracts in line with the contracted delivery periods; and
- An adverse net mark-to-market remeasurement of £(573.1)m on unsettled contracts including affiliate CfDs, largely entered into during the course of 2022/23 and 2023/24 and in line with the Group's stated approach to hedging. This mark-to-market remeasurement – which compares to a £(2,980.2)m adverse movement in the prior period – reflects the reduced volatility seen in commodity markets during the year.

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 £9.1m favourable movement in the year reflects the combination of a higher forward market price at the period end when compared to the actual weighted average cost of gas stored at that time and the decrease in the amount of gas physically held.

However, whilst this movement reflects the net change in fair value of physical gas inventory held at the period 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, SSE does not expect that this valuation movement will reflect the final result realised by the business.

Financing derivatives
In addition to the movements above, a positive movement of £6.1m was recognised on financing derivatives in the year ended 31 March 2024, 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 recognised gain reflects a slight increase in the UK long term interest rates which means that the net "out of the money" position on these hedges has reduced slightly during the year.

These remeasurements are presented separately as they do not represent underlying business performance in the year. 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 twelve months to 31 March 2024 are significantly higher than the previous year. In addition to the £513.5m net gain on forward commodity, gas inventory and financing derivative fair value remeasurements and the £(266.0)m net pre-tax exceptional charge noted above – reported results also include, primarily, £26.2m of interest income on the net pension asset; £134.4m share of profits attributable to non-controlling interests; a £(9.9)m adjustment to legacy gas production decommissioning provisions; £(19.0)m depreciation on fair value uplifts; and a £(74.1)m share of joint venture interest and tax.

Reported results in the prior period reflected pre-tax certain re-measurement losses of £(2,351.9)m mainly driven by the significant volatility in commodity markets in the prior period, as well as pre-tax exceptional items of £(0.4)m reflecting various offsetting impairments, asset write-ups and a gain on sale, and £16.2m net interest income on the net pension asset.

Financial management and balance sheet

Debt metrics	**Mar 2024 £m**	Sep 2023 £m	Mar 2023 £m
Net Debt/EBITDA*	**3.0x**	**N/A**	**2.7x**
Adjusted net debt and hybrid capital (£m)	**(9,435.7)**	**(8,943.8)**	**(8,894.1)**
Average debt maturity (years)	6.4	5.9	6.4
Adjusted interest cover	8.9x	3.9x	7.6x
Average cost of debt at period end (including all hybrid coupon payments)	3.90%	4.02%	3.92%

* Note: Net debt represents the group adjusted net debt and hybrid capital. EBITDA represents the full year group adjusted EBITDA, less £179.6m at March 2024 (March 2023: £146.9m) for the proportion of adjusted EBITDA from equity-accounted Joint Ventures relating to project financed debt.

Net finance costs reconciliation	**Mar 2024 £m**	Mar 2023 £m
Adjusted net finance costs	**251.7**	**345.6**
Add/(less):		
Lease interest charges	(25.8)	(29.4)
Notional interest arising on discounted provisions	(25.2)	(22.1)
Hybrid equity coupon payment	73.1	38.8
Adjusted finance costs for interest cover calculation	273.8	332.9

Principal Sources of debt funding	**Mar 2024 £m**	Sep 2023 £m	Mar 2023 £m
Bonds	58%	54%	54%
Hybrid debt and equity securities	18%	18%	18%
European investment bank loans	5%	5%	5%
US private placement	8%	8%	10%
Short-term funding	8%	11%	9%
Index –linked debt	3%	4%	4%
% of which has been secured at a fixed rate	**93%**	**91%**	**92%**

Rating Agency	Rating	Criteria	Date of Issue
Moody's	Baa1 'stable outlook'	'Low teens' Retained Cash Flow/Net Debt	19 December 2023
Standard and Poor's	BBB+ 'outlook positive'	About 18% Funds From Operations/Net Debt	5 September 2023

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.

Given the strength of the Group's Balance Sheet, the current net debt/EBITDA ratio is well below this threshold at 3.0x. However it is expected that this ratio will trend upwards to around, 4.0x as the Group delivers on its £20.5bn investment plan to 31 March 2027.

SSE's Standard and Poor's credit rating was re-affirmed in September 2023 at BBB+ with 'outlook positive' and its Moody's rating was reaffirmed in December 2023 at Baa1 with 'stable outlook'.

Adjusted net debt and hybrid capital

SSEs adjusted net debt and hybrid capital was £9.4bn at 31 March 2024, an increase of £0.5bn from 31 March 2023. With no significant acquisitions or divestments in the period, the debt movement relates to capital investment expenditure and revaluation of currency debt as well as various working capital movements being offset by operating cash flows less dividend payments.

Debt summary as at 31 March 2024

The Group issued £1.1bn of new long-term debt in the financial year whilst also continuing to roll Commercial Paper at a broadly similar level as 31 March 2023:

- In September 2023, SSE plc issued an eight-year €750m green bond at a fixed coupon of 4.0% with an all-in cost of funding rate of just above 4% once fees have been included. The bond was left in Euros as a net investment hedge for the Group's Euro denominated subsidiaries.
- In January 2024, Scottish Hydro Electric Transmission plc issued a 20 year £500m green bond at a fixed coupon of 5.5% with an all-in funding cost of 5.575% once fees have been included.
- Over the course of the year, SSE plc rolled maturing short-term debt which takes the total outstanding Commercial Paper at 31 March 2024 to €990m (£852m[1]). Commercial Paper has been issued in Euros and swapped back to Sterling at an average cost of debt of 5.75% and matures between April 2024 and May 2024.

In the year ended 31 March 2024, £0.7bn of medium-to-long-term debt has matured comprising £155m of US Private Placements which matured in April 2023 and September 2023, €700m (£514m) of Eurobonds which matured in September 2023 and £50m of European Investment Bank fixed rate loans which matured in September 2023.

Over the next financial year, there is a further £0.2bn of medium-to-long-term debt maturing being the £204m US Private Placement maturing in April 2024. As noted above, €990m (£852m) of short-term debt in the form of Commercial Paper is also due to mature in the first half of 2024/25, however the current intention is to roll this maturing short-term debt forward throughout the 2024/25 financial year.

Hybrid bonds summary as at 31 March 2024

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, as their 50% equity treatment by the rating agencies is positive for SSE's credit metrics.

A summary of SSE's hybrid bonds as at 31 March 2024 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 Note 22 to the Financial Statements and a table noting the amounts, timing and accounting treatment of coupon payments is shown below:

Hybrid coupon payments

	2024/25		2023/24	
	HYe	FYe	HYa	FYa
Total equity (cash) accounted	£73m	£73m	£73m	£73m
Total debt (accrual) accounted	–	–	–	–
Total hybrid coupon	**£73m**	**£73m**	**£73m**	**£73m**

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 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.

Managing net finance costs

SSE's adjusted net finance costs – which included interest on debt accounted hybrid bonds but not equity accounted hybrid bonds – were (£251.7m) in the year ended 31 March 2024, compared to (£345.6m) in the previous year. The lower level of finance costs in the year is driven by lower swap interest arising from higher short term interest rates on fixed rate swaps, the impact of lower inflation on index linked debt, and higher capitalised interest costs reflecting increasing construction activity. These were partially offset by a higher share of JV costs, predominantly due to Seagreen becoming fully operational during the year.

Reported net finance costs were (£113.1m) compared to (£59.3m) in the previous period. Higher interest charges incurred in Joint Ventures combined with a £195.8m decrease in beneficial movement on financing derivatives as previously referenced more than offset the reduction seen in adjusted net finance costs.

Summarising cash and cash equivalents

At 31 March 2024, SSE's adjusted net debt included cash and cash equivalents of £1.0bn, which is slightly higher than the £0.9bn at March 2023.

The cash collateral balance at 31 March 2024 was a net liability of £353.2m, consisting of a liability of £362.5m and an asset of £9.3m (2023: £nil liability and £316.3m asset). This reflects the lower levels of initial margin required for commodity contracts traded on exchanges following a reduction in risk factors and the Group replacing cash collateral with £100m of letters of credit.

1 Commercial Paper issued has a face value of €990m (£852m) and a fair value of £840m as at 31 March 2024.

Additionally, variation margin positions for March 2024 have moved to being 'in the money' due to lower commodity prices versus the 'out the money' positions experienced in the prior year.

Cash collateral is only required for forward commodity contracts traded through commodity exchanges and 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 decrease in cash collateral reflects the lower forward power and gas price environment, alongside reduced-price volatility in those markets.

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
March 19	SSE plc	Syndicated Revolving Credit Facility with 10 Relationship Banks	2026	£1.3bn
October 19	SSE plc	Revolving Credit Facility with Bank of China	2026	£200m
November 22	SHET plc	Syndicated Revolving Credit Facility with 11 Relationship Banks	2026	£750m
November 22	SHEPD plc and SEPD plc	Syndicated Revolving Credit Facility with 11 Relationship Banks	2026	£250m
February 23	SSE plc	Syndicated Revolving Credit Facility with 10 Relationship Banks	2025	£1.0bn

In November 2022, SSEN Transmission entered a three-year £750m facility, including two one-year optional extensions with the first year's option exercised in September 2023. A £250m facility on the same terms has been entered into by SSEN Distribution. These facilities support the ongoing capital expenditure investment programmes that are required to deliver their ambitious future growth plans and will be drawn on as required.

The £1bn facility signed in February 2023 (and subsequently extended for a further year in February 2024) was executed to cover potential cash collateral balances required to cover commodity positions on exchanges or via credit support annexes on bilateral contracts.

The facilities can also be utilised to cover short-term funding requirements – however they remain undrawn for most of the year and were undrawn as at 31 March 2024 (2023: £100m drawn on the £750m SHET 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 £750m Transmission facility is also classified as a sustainable facility with interest rate and fees paid dependant on four ESG-related 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 2024, no drawings have been made on this facility. The Group also has access to 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 2024, 93% of SSE's borrowings were at fixed rates (2023: 91%).

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 using 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 £5.8bn and SSE's objective is to maintain a reasonable range of debt maturities.

A key objective of the Group's NZAP Plus five-year investment plan is to strike the right balance between capital investment, long-term debt issuance and securing value through disposals, all whilst maintaining a strong net debt/EBITDA ratio. Whilst this investment will naturally require a level of incremental debt issuance – in addition to refinancing of existing debt – the Group considers the plan to be fully-funded given expected continued access to debt markets and with SSE retaining a strong investment grade credit rating.

At 31 March 2024, the average debt maturity, excluding hybrid securities, at 31 March 2024 was 6.4 years, consistent with the position at 31 March 2023. This position reflects the £1.1bn of new long-term debt issued in the last year, which has been offset by maturing long term debt.

SSE's average cost of debt is now 3.90%, compared to 3.92% at 31 March 2023. The small decrease relates to higher swap income on fixed rate swaps due to higher floating rates in the period.

Going concern

The Directors consider that the Group has adequate resources to continue in operational existence for the period to 31 December 2025. The financial statements are therefore prepared on a going concern basis.

In reaching their conclusion, the Directors regularly review the Group's funding structure (see note 21 of the Financial Statements) against the current economic climate to ensure that the Group has the short- and long-term funding required. The Group has performed detailed going concern testing, including the consideration of cash flow forecasts under stressed scenarios for the period to December 2025.

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 2024 there was £840m commercial paper outstanding. In the year ended 31 March 2024, the Group has issued new long-term debt instruments totalling £2.0bn and has redeemed £0.7bn of maturing medium-long-term debt. The Group also continues to have access to its £3.5bn of revolving credit facilities. As at 31 March 2024 there were no drawings against these committed facilities. The details of the five committed facilities at 31 March 2024 are:

- a £1.3bn revolving credit facility for SSE plc maturing March 2026;
- a £0.2bn bilateral facility for SSE plc maturing October 2026;
- a £0.75bn facility for Scottish Hydro Electric Transmission plc maturing November 2026;
- a £0.25bn facility for Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc maturing November 2026; and
- a £1.0bn committed facility for SSE plc maturing February 2025.

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 a further one year extension option at the borrower's discretion, were entered into to help cover the capital expenditure and working capital of those businesses. The one year extension option on the £1bn committed facility for SSE plc was exercised in February 2024, and was entered into to provide cover for potential cash collateral requirements if periods of extreme volatility return to the commodity markets. There were no drawings against these facilities at 31 March 2024 compared to £100m drawn on the £750m Transmission facility at 31 March 2023.

Operating a Scrip Dividend Scheme

SSE's Scrip Dividend Scheme was last renewed for a three-year period at the 2021 AGM and will be proposed for renewal for a further three-year period at the 2024 AGM. As part of the Group's dividend plan to 2026/27, it is intended that take-up from the Scrip Dividend Scheme will be capped at 25%. This cap would be implemented 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, and receipt of the final dividend scrip elections on 24 August 2023, the overall scrip dividend take-up for the 2022/23 financial year was less than the 25% threshold and therefore no buy-back to limit scrip dilution was required.

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 £3.6bn as at 31 March 2024.

SSE principal JVs and associates[1]	Asset type	SSE holding	SSE share of external debt	SSE Shareholder loans
Marchwood Power Ltd	920MW CCGT	50%	No external debt	£12m
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	£158m
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%	£623m	Project financed
Dogger Bank A Wind Farm	1,200MW offshore wind farm	40%	£928m	£88m
Dogger Bank B Wind Farm	1,200MW offshore wind farm	40%	£785m	Project financed
Dogger Bank C Wind Farm	1,200MW offshore wind farm	40%	£619m	Project financed
Ossian Offshore Windfarm Ltd	ScotWind seabed	40%	No external debt	No loans outstanding
Seagreen Wind Energy Ltd	1,075MW offshore wind farm	49%	£661m	£995m[2]
Seagreen 1a Ltd	Offshore wind farm extension	49%	No external debt	£22m
Lenalea Wind Energy Ltd	30MW onshore wind farm	50%	No external debt	£14m
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	£47m
Stronelairg Windfarm Ltd	228MW onshore wind farm	50.1%	No external debt	£89m
Cloosh Valley Wind Farm	105MW onshore wind farm	25%	No external debt	£25m
Neos Networks Ltd	Private telecoms network	50%	No external debt	£58m

Notes:
1 Greater Gabbard, a 504MW offshore windfarm, is proportionally consolidated and reported as a Joint Operation with no loans outstanding.
2 For accounting purposes, £309m of the £995m of SSE shareholder loans advanced to Seagreen Wind Energy Limited have been classified as equity.

Taxation

SSE is one of the UK's biggest taxpayers, and in the 2023 PwC Total Tax Contribution survey published in December 2023 was ranked 17th out of the 100 Group of Companies in 2023 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 ten 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 was the first company to transition from the UK headquartered accreditation to the global accreditation in 2022.

In November 2023, SSE published its 'Talking Tax 2023: tax matters for net zero' 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. SSE won PwC's Building Public Trust Award for Tax Reporting in the FTSE 350 for the second consecutive year for the quality of its tax reporting.

In the year to 31 March 2024, SSE paid £679.2m of profit taxes, property taxes, environmental taxes, and employment taxes in the UK, compared with £501.7m in the previous year. The increase in total taxes paid in 2023/24 compared with the previous year was primarily due to higher levels of corporation tax being paid on UK profits, together with higher employment taxes and property taxes due to the expansion of the Group's activities.

In the year to 31 March 2024 SSE also paid €68.0m of taxes in Ireland, compared to €53.8m the previous year, due to increased profits in SSE's Irish businesses and a general increase in business activities. Ireland is the only country outside the UK in which SSE currently has significant trading operations – activities elsewhere are still at an early stage and are not yet paying material amounts of tax.

As with other key financial indicators, SSE's focus is on adjusted profit before tax and, in line with that, SSE believes that the adjusted current tax charge on that profit is the tax measure that best reflects underlying performance. SSE's adjusted current tax rate, based on adjusted profit before tax, was 17.1%, compared with 16.4% in 2022/23 on the same basis. The increase in rate is primarily as a result of the increase in UK corporation tax rate from 19% to 25% from 1 April 2023, partly mitigated by increased capital allowances as noted below.

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.

The adoption during the period of the "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" amendment to IAS 12 "Income Taxes" resulted in an increase of £50.1m (2023: £45.5m) to the Group's gross deferred tax assets and gross deferred tax liabilities recognised in relation to the Group's decommissioning obligations and a reclassification between deferred tax categories of £79.5m. Adoption had no impact on retained earnings or profits recognised in presented periods.

The UK Spring Budget in March 2023 introduced "full expensing" for qualifying capital expenditure incurred during the period from 1 April 2023 to 31 March 2026, that measure then being made permanent in the November 2023 Autumn Statement. Capital allowances rates of 100% and 50% replace the existing rates of 18% and 6% respectively for qualifying capital expenditure, significantly increasing the amount of capital allowances available on SSE's capital investment programme.

The UK has now introduced legislation in respect of Multinational Top-up Tax in line with OECD BEPS pillar 2 principles. The Group has applied the exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as required by the amendments to IAS 12 – International Tax Reform—Pillar Two Model Rules, which were issued in May 2023.The legislation will come into 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 has undertaken modelling and does not expect a material impact to arise as tax rates, including deferred tax, in the countries in which the Group operates are expected to exceed 15%.

Pensions

Contributing to employees' pension schemes – IAS 19	March 24 £m	March 23 £m
Net pension scheme asset recognised in the balance sheet before deferred tax £m	**421.6**	541.1
Employer cash contributions Scottish Hydro Electric scheme £m	**1.0**	1.0
Employer cash contributions Southern Electric scheme £m	**27.1**	52.1
Deficit repair contribution included above £m	**16.3**	38.0

In the year to 31 March 2024, the surplus across SSE's two pension schemes decreased by £119.5m, from £541.1m to £421.6m, primarily due to actuarial losses of £155.2m, offset partially by contributions to the schemes.

The valuation of the **SSE Southern scheme** decreased by £92.2m in 2023/2024 primarily due to actuarial losses of £118.1m driven by losses on plan assets, offset partially by contributions to the scheme of £27.1m.

The decrease in contributions in the year is driven by the new schedule of contributions agreed by the Group following finalisation of the scheme's most recent triennial valuation.

The **Scottish Hydro Electric Pension scheme** has partially 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 scheme's surplus decreased by £27.3m. This decrease was also mainly driven by actuarial losses relating to losses on plan assets.

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

Segmental overview

SSE has a very deliberately diversified business mix that spans the clean energy value chain. These businesses, and the world-class assets they maintain, operate alongside each other to optimise growth and create long-term value.

SSEN Transmission

R

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. The business is 75% owned by SSE plc and 25% by investment partner the Ontario Teachers' Pension Plan Board.

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.

SSEN Distribution

R

Who SSEN Distribution serves
Over 3.9m homes and businesses in two large, diverse licence areas in southern central England, and the north of Scotland.

How it supports SSE's strategy
SSEN Distribution drives the growth of net zero connections for the communities it serves. It does this through a combination of strategic network investment and the targeted deployment of flexible solutions. Together, these support increased connections to the network, and the increasing take-up of low-carbon technologies.

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.

SSE Renewables

M

Who SSE Renewables serves
Electricity customers across GB, Ireland and selected overseas markets 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 in domestic and selected international markets. It also operates and develops pumped hydro storage that provides the flexible and dispatchable electricity needed for a smooth transition to net zero.

How it is remunerated
Through the wholesale electricity market, ancillary services market, Capacity Market, Balancing Mechanism revenue from hydro output, power purchase agreements, and government support schemes for renewable energy.

SSE Energy Markets

M

Who SSE Energy Markets serves
SSE's individual Business Units and the SSE Group.

How it supports SSE's strategy
The work SSE Energy Markets does is key to managing risk associated with the operations behind SSE's Net Zero Acceleration Programme Plus. 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.

Key:

M Market-focused businesses

R Economically regulated businesses

See Our business model on page 6 for further details on our business assets

SSE Thermal

M

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.

Energy Customer Solutions

M

Who Energy Customer Solutions serves
750,000 domestic and business customers in the all-island Ireland energy supply market, and around 380,000 non-domestic customers in GB.

How it supports SSE's strategy
Energy Customer Solutions is responding to the climate emergency as a route to market for SSE's low-carbon energy generation and through the provision of a suite of 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, and through state-supported schemes.

SSE Enterprise

M

Who SSE Enterprise serves
The public sector and commercial markets in GB and the island of Ireland. Through its Distributed Energy division it provides smart 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 winning bids and contracts, and earning revenue from them.

How it is remunerated
It receives fees for providing energy trading services to the constituent parts of the SSE Group.

Business Unit operating review

SSEN Transmission

"

Our £20bn 'Pathway to 2030' investment programme positions us as one of Europe's fastest growing transmission networks. We're delivering the critical infrastructure required to enable renewable energy and deliver on government energy security and net zero targets, all whilst leaving a positive lasting legacy for communities, at an affordable cost for consumers, while providing a fair return for shareholders."

Rob McDonald
Managing Director, SSEN Transmission

Members of the public discuss transmission plans at Tealing Village Hall in the Highlands

RIIO-T2 operational delivery

SSEN Transmission continues to deliver strong operational performance in 2023/24, achieving 95% of the available reward through the 'Energy Not Supplied' (ENS) incentive, equating to £730k additional income in the year (18/19 prices). This slight reduction in performance relates to one brief outage which was quickly resolved, while overall performance has earned 98.3% of available reward since the beginning of RIIO-T2 and £2.3m additional incentive income (18/19 prices). This performance is underpinned by a robust and ongoing programme of inspection, maintenance, refurbishment and replacement of SSEN Transmission's assets, keeping the lights on for communities across the north of Scotland and ensuring reliable network access for electricity generators to support security of supply in Great Britain.

Capital investment programme

SSEN Transmission's RIIO-T2 capital investment programme continues, with progress being made across major projects. This includes the Shetland High Voltage Direct Current (HVDC) Link, with all offshore cable works now complete including seabed rock placement. The onshore cable works are also complete following a successful high voltage test in January 2024. The project is now in the final commissioning stage, remaining on track for completion and full energisation in summer 2024. Work has also progressed to connect Shetland's existing electricity distribution network to the Shetland HVDC link, connecting Shetland's homes and business to the GB electricity network for the first time via the new Grid Supply Point being constructed at Gremista. The Kergord-Gremista 132kV circuits will then connect the HVDC link to the new Gremista Grid Supply Point. Following a well-publicised incident at the site earlier this month, which resulted in no injuries, work is expected to recommence in stages and the project remains on track to be complete by the end of 2025.

Progress has also been made on increasing the capacity of the North-East Scotland transmission network to 400kV, with all circuits in the first phase completed and energised in February 2024. Work to increase incrementally the voltage in this area of the network continues with the next phase due to be completed towards the end of 2026, in line with RIIO-T2 commitments. Further 400kV infrastructure is expected to enter construction as part SSEN Transmission's ASTI projects, from 2026 onwards.

As of 31 March 2024, the total installed capacity of the north of Scotland network was almost 10.6GW, of which just over 9.3GW is from renewable and other low carbon sources, including 0.6GW of pumped storage and batteries. Several large renewable schemes are scheduled to connect during FY25, and SSEN Transmission is on track to exceed its RIIO-T2 goal to deliver an electricity network in the north of Scotland with the capacity and flexibility to accommodate 10GW of renewable generation, enough to power more than 10m homes by 2026.

For financial performance commentary please refer to the Group Financial Review.

Other regulatory investments

The business has made significant progress over the course of the last few years in securing the regulatory approvals required to take forward several major investments over and above its baseline investment case secured at the start of RIIO-T2. Initially, large onshore transmission projects were taken forward through Ofgem's Large Onshore Transmission Investment (LOTI) Uncertainty Mechanism, with SSEN Transmission currently progressing three projects through that framework. However, to accelerate the regulatory process and facilitate delivery of the required offshore and onshore network reinvestments required for the energy transition, Ofgem introduced the Accelerated Strategic Transmission Investment (ASTI) regulatory framework in December 2022 with SSEN Transmission currently progressing a further eight projects through that framework.

To support the timely delivery of ASTI projects, SSEN Transmission is actively advocating for a maximum 12-month

SSEN Transmission key performance indicators

	March 2024	March 2023
SSEN Transmission		
Transmission adjusted operating profit[1] – £m	**419.3**	372.7
Transmission reported operating profit – £m	**559.1**	405.5
Transmission adjusted investment and capital expenditure – £m	**595.6**	495.5
Gross Regulated Asset Value (RAV) – £m	**5,676**	4,836
SSE Share Regulated Asset Value (RAV)[1] – £m	**4,257**	3,627
Renewable Capacity connected within SSEN Transmission Network area – MW[2]	**9,312**	9,208

1 Excludes 25% minority interest from 1 December 2022
2 Transmission and distribution connected capacity within the SSEN Transmission Network area includes 300MW (2022/23: 300MW) of pumped storage and 334MW (2022/23: 285MW) of battery storage.

determination of all Section 37 overhead line planning applications. This is in line with the recommendations of the UK Government's Electricity Networks Commissioner, and others.

LOTI projects
In July 2023, Ofgem approved the Final Needs Case for the Orkney transmission link, the final piece in connecting all three of Scotland's main island groups to the GB electricity network. The Orkney transmission link will accommodate around 220MW of renewable electricity generation, helping further unlock Orkney's vast renewable potential alongside supporting the continued development and growth of Orkney's marine energy sector. Main construction works are due to commence in summer 2024, with full energisation expected in 2028.

In August 2023, Ofgem also approved the Final Needs Case for the Skye reinforcement project, which will see the replacement and upgrade of the existing Fort Augustus to Skye transmission line. This is required to maintain security of supply and enable the connection of renewable electricity generation along its route. Both substation applications were granted consent by the Highland Council in early 2024 with a decision on the Section 37 overhead line planning application expected during 2024 with construction works ready to begin and full energisation expected in 2028.

In October 2023, Ofgem approved the Final Needs Case for the Argyll and Kintyre 275kV Reinforcement, subject to all material planning consents being secured. The reinforcement is required to upgrade the local transmission network from 132kV to 275kV operation, supporting the forecast growth in renewables in the region. With all substation planning consents for the Argyll and Kintyre 275kV Reinforcement now secured, SSEN Transmission awaits the outcome of the Inveraray to Creagh Dhubh 275kV connection Section 37 planning application and the Public Local Inquiry for the Creag Dhubh to Dalmally 275kV connection, both of which are expected during 2024. Construction is planned to commence later in 2024, with full energisation expected during 2028.

ASTI projects
As part of the National Grid Electricity System Operator's NGESO Holistic Network Design (HND), eight projects were identified for SSEN Transmission to progress through Ofgem's ASTI framework which included several subsea cables, overhead line and substation installations and upgrades to support the connection of offshore wind and onshore electricity generation. These ASTI projects are wholly owned by SSEN Transmission, with the exception of the Eastern Green Link 2 (EGL2) and Eastern Green Link 3 (EGL3) which are being jointly developed with National Grid. The estimate of gross nominal investment required to deliver these projects is around £17bn.

The EGL2 project – which will see the installation of a 2GW subsea superhighway of electricity transmission between the north east of Scotland and Yorkshire – has made progress during the year with Marine Scotland granting a Marine Licence for cable protection measures in May 2023. The project also reached contract award status in February 2024 with Prysmian Group to supply around 1,000km of cable as well as Hitachi Energy and BAM to supply the converter stations at either end of the link. With the onshore works now underway in Peterhead, the project remains on track for targeted completion in 2029.

The other ASTI projects also continue to progress, with SSEN Transmission reaching 'preferred bidder' status with its supply chain partners for its North of Scotland ASTI subsea HVDC projects, Spittal to Peterhead and the Western Isles, in May 2023. In August 2023, SSEN Transmission entered into Capacity Reservation Agreements with the supply chain for the HVDC cable and converter stations, securing supply chain manufacturing capacity in what is an extremely competitive and constrained global supply chain market. Also in August 2023, SSEN Transmission also reached 'preferred bidder' status for all of its key onshore ASTI projects, a significant milestone in securing the supply chain for the delivery of all overhead line, cabling and substation components.

SSEN Transmission has also concluded its first round of public consultation across its 100% owned onshore and subsea ASTI projects. Further consultation will take place throughout 2024 in advance of submitting consent applications to the relevant consenting authorities.

Finally, work to progress EGL3 – which will see the installation of a 2GW subsea superhighway of electricity transmission between the north east of Scotland and south Lincolnshire/West Norfolk – is also progressing with the supply chain now engaged with the tender process.

RIIO-T3 price control
The process to determine the parameters of the RIIO-T3 price control for SSEN Transmission commenced during the year with the publication in October 2023 by Ofgem of their Future Systems and Networks Regulation consultation, which confirmed the framework for the new price controls.

While the signals from Ofgem to support investment in the SSMC were positive, the unprecedented level of investment required to deliver the SSEN Transmission's £20bn plus of LOTI, ASTI and RIIO-T3 projects means the final RIIO-T3 framework must be attractive to both equity and debt providers. SSEN Transmission will work constructively with Ofgem and wider stakeholders to ensure the future regulatory framework provides the flexibility and agility required to deliver the unprecedented level of required investment.

Work progresses to develop the SSEN Transmission Business plan, which will be submitted to Ofgem, currently scheduled for December 2024.

Future growth opportunities

'Beyond 2030' report
Further investment beyond the Pathway to 2030 is required to unlock the North of Scotland's full renewable potential and to deliver energy security and net zero targets.

These additional onshore and offshore network reinforcements were set out by National Grid Electricity System Operator through the publication of the second transitional Centralised Strategic Network Plan (tCSNP), titled 'Beyond 2030' in March 2024. This will connect another tranche of ScotWind whilst also setting out options to deliver the remainder. For the north of Scotland, the ESO's plan confirms the need for a number of projects to proceed now for delivery by 2035, which combined represent a potential estimated investment of over £5bn for SSEN Transmission. This includes a second HVDC link to Shetland and in May 2024, the Sumitomo Electric Van Oord Consortium was selected as preferred bidder for the proposed 1.8GW subsea cable, the anchor project enabling Sumitomo Electric Industries investment in its new cable manufacturing facility at Nigg.

SSEN Distribution

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The first year of RIIO-ED2 has been one of great significance. We've worked hard to enable greater uptake of low-carbon technologies, making the big decisions on how we'll strengthen our network. We're also pushing forward with plans to develop a smart, fair, net zero electricity system."

Chris Burchell
Managing Director, SSEN Distribution

Networks apprentices under instruction at SSE's Perth Training Centre

RIIO-ED2 operational delivery

SSEN Distribution has completed the first year of operating in the RIIO-ED2 price control period. This price control, which will run until March 2028, identified the need for £3.6bn of baseline expenditure, representing an increase of 22% on the previous price control, alongside the opportunity to trigger up to £0.7bn in additional funding under Uncertainty Mechanisms. This will include investment to satisfy new demand and generation growth, and to improve subsea cable resilience for connections to Scottish islands.

SSEN Distribution is working closely with Ofgem, and its stakeholders, to ensure the price control has the agility and flexibility needed to deliver the infrastructure needed for net zero requirements, supported by a three-point strategy. This is centred on growing the asset base to underpin the net zero transition and as a consequence the Regulatory Asset Value (RAV) will increase; by driving targeted improvements in customer performance and operational efficiency; and by continuing SSEN Distribution's lead role in developing the future flexible energy system.

Improving customer performance

Targets for improving service levels for customers are set for SSEN Distribution through the regulatory framework. Incentive rewards will typically be collected two years after they are earned. In RIIO-ED2, the ability to secure higher incentive returns has been tightened, compared with previous price controls. Within the Interruptions Incentive Scheme (IIS), SSEN is offered an incentive on its performance against the loss of electricity supply, through the recording of the number of Customer Interruptions (CI) and Customer Minutes Lost (CML). These include planned, as well as unplanned, interruptions.

SHEPD's Customer Interruption (CI) performance has improved in the first year of RIIO-ED2 compared to the last year of RIIO-ED1, by 5%. SEPD has seen a decrease in its CI performance by 12%. Both SHEPD and SEPD's Customer Minutes Lost (CML) performance has decreased from 2022/23 by 11% and 17% respectively. In the first year of RIIO-ED2, a penalty of ~£13.7m was incurred across both SEPD and SHEPD under the Interruptions Incentive Scheme (IIS). This penalty arose from the introduction of tougher targets under the IIS compared to RIIO-ED1. In addition to this, adverse weather had an impact on CI and CML performance.

To put these figures in context, SSEN Distribution's licence areas have been severely affected by several named storms. Investment of £35m in automation across network areas has had a tangible, positive impact on SSEN Distribution's ability to reconfigure the system quickly and remotely, if a storm-related fault occurs. This, alongside cable replacement work to reinforce the network, has mitigated service interruptions in what has been an unsettled winter period.

As SSEN Distribution's investment in network renewal and reinforcement increases, there is a need to initiate Planned Service Interruptions to enable the business to carry out the necessary works safely and efficiently. This investment will significantly improve the performance of the network.

SSEN Distribution's Customer Satisfaction performance is a clear focus for the business, and the service improvements being made are making a positive difference. In SHEPD, our score increased by 0.67%; in SEPD it is up by 0.4%. For SSEN Distribution as a whole, there is a 0.54% increase: in line with the industry average of 0.56%.

In the first year of this current price-control period, SSEN Distribution is delivering ongoing efficiencies. £2m a year is already being saved through redesigned tenders for plant and materials, including for SSEN's extensive subsea maintenance and inspection programme.

Capital investment programme

The first year of the current price control period has featured an acceleration of SSEN Distribution's major capital investment programme across both its networks. This is

SSEN Distribution key performance indicators

	March 2024	March 2023
SSEN Distribution		
Distribution adjusted and reported operating profit – £m	**272.1**	382.4
Regulated Asset Value (RAV) – £m	**5,301**	4,720
Distribution adjusted investment and capital expenditure – £m	**505.1**	421.0
Electricity Distributed – TWh	**37**	36
Customer minutes lost (SHEPD) average per customer	**66**	59
Customer minutes lost (SEPD) average per customer	**58**	46
Customer interruptions (SHEPD) per 100 customers	**57**	60
Customer interruptions (SEPD) per 100 customers	**51**	44

Customer minutes lost and Customer interruptions figures estimated and subject to outturn of annual regulatory process

delivering performance improvements, an improved service for customers, and future earnings through RAV growth.

In 2023/24, capital expenditure has increased to £505m. This compares to £421m in 2022/23. In the past year, SSEN has spent £14.7m to upgrade the network from Aultbea to Ullapool. The £44m Pentland Firth East subsea cable was energised in September. This investment is now strengthening supplies in Orkney.

In the central southern England (SEPD) licence area, a new contracting system with three partners is now in place. A £1bn programme of investment, representing 25% of the total ED2 figure, is under way following the largest contract awards issued by SSEN Distribution. Three UK companies, Keltbray Energy Limited, OCU Services Limited and The Clancy Group Limited, are each responsible for a regional delivery zone. This new approach is reducing supply chain risk in delivering upgrades to the network in support of SSEs Net Zero Acceleration Plan, and is expected to deliver material efficiency benefits for customers through a collaborative approach to project delivery. The joint regional delivery teams are now well established, and are mobilised to accelerate the programme of capital delivery, including creating capacity for more new connections.

In the SHEPD licence area, in April 2024, SSEN Distribution issued opportunities to tender for a £320m programme of investment and infrastructure development in the north of Scotland. The investment will create greater network capacity, enable more connections, and increase network resilience. The change to award Framework Agreements based on geographical areas for underground cable works, substations, and overhead line projects gives a commitment to contract partners, which will help facilitate growth, and the development of locally-based workers, thus strengthening their own ability to deliver projects.

For financial performance commentary please refer to the Group Financial Review.

Other regulatory investments

SSEN Distribution has successfully triggered its first uncertainty mechanism with Ofgem approving over £30m in additional funding for cyber security following a submission in April 2023. A further submission was made in the October 2023 reopener window and is awaiting Ofgem's determination.

SSEN Distribution continued to work proactively with its stakeholders and the regulator to prepare robust, evidence-based submissions for a range of uncertainty mechanisms which were triggered in January 2024. These include security of supply on Shetland with a request for additional funding of £38m, the first phase of whole system investment for Hebrides and Orkney (HOWSUM) with a request of £59m and a request of £14m for an investment programme to enhance network resilience following the impact of Storm Arwen. Consultations and decision on these reopeners are still to take place.

Looking further ahead to load-related uncertainty mechanisms which will open for submissions in January 2025, SSEN Distribution is leading the way in taking a 'Net Zero First' approach to investment in distribution infrastructure to meet future generation and demand needs.

Leading on the future system

SSEN Distribution's goal is to facilitate the connection of around two million EVs and one million heat pumps by 2030. The growth in the take-up of low carbon technologies is needed in order to get to net zero, and demand is increasing sharply; there has been a 13-fold increase in the number of electric vehicles connected in the past six years. In addition to more demand-side connections to the network, an increasing number of generation projects like solar and battery are seeking to connect too. SSEN Distribution is working with transmission companies, NGESO, and other DNOs to modernise the connections system to connect more projects which are ready, while also reducing the impact of 'first come, first served' queueing.

In West London, SSEN Distribution and National Grid – in partnership with Electricity System Operator and Greater London Authority – have devised innovative solutions to unlocking electricity network capacity. By enabling ramped connections that deliver increased electricity supply over time, housing developments in parts of the London boroughs of Hounslow, Hillingdon and Ealing have had their connection dates brought forward. This means that project developments totalling 7,800 homes have had their connection dates accelerated.

SSEN's strong support for net zero planning at a local level, is also borne out by its proactive relationships with local authorities. This is epitomised by SSEN's sector-leading Local Energy Net Zero Accelerator (LENZA) Tool. LENZA is a geospatial planning tool, which empowers local authorities to make effective, efficient net-zero plans. It is designed to bring together a range of datasets, including SSEN's network data, to assist with strategic energy planning, and ensure that local plans are incorporated into SSEN's longer-term strategic network investment. LENZA also provides SSEN with the robust evidence for regulatory funding of future investment.

SSEN has onboarded more than half the applicable local authorities in how to use this tool. LENZA complements SSEN's support for local authorities in developing their own Local Area Energy Planning programmes.

Future growth opportunities

Smart. Fair. Now.

SSEN Distribution is at the forefront of sector-wide development around smart, flexible, electricity systems. Over the past year, it has published detailed plans for how its Distribution System Operations (DSO) will operate. These plans are based on SSEN's 'Smart, Fair, Now' principles, committing it to developing the smart electricity system of the future, in a way that is fair for all users, quickly.

Over the past few months, the DSO team has been following through on its overarching action plan with details on how and why decisions will be made, on the flexibility roadmap for between now and the end of the decade, on how data will be responsibly harnessed to make the electricity system smarter, and about how the network will develop through capital investment, and the efficient use of Flexibility Services.

On a practical level, SSEN Distribution continues to increase the tendering of Flexibility Services in areas where localised high demand can be offset to extend overall network capacity. During 2023/24, SSEN contracted 703MW of flexibility services for dispatch in ED2, and our network-wide call for flexibility is targeting a total of 5GW of flexible capacity by end of RIIO-ED2.

SSE Renewables

> "We continue to diversify our portfolio across wind, hydro, solar and battery technologies in our core and select new markets. Our focus remains on optimising the value of our existing assets through skilled operation and maintenance, while accelerating growth to deliver more of the green energy the world needs to sustainably meet climate and energy security commitments."

Stephen Wheeler
Managing Director, SSE Renewables

Final preparations are made to one of the turbine blades at Viking wind farm

Operational delivery

In onshore wind, the lower-than-expected wind speeds in early summer led to the accelerated delivery of normal maintenance campaigns which were all completed ahead of plan. Asset availability has remained high throughout the year, particularly given the busy winter period which included 10 named storms. The second half of the year saw a return towards more normal wind speeds, albeit still below long-term averages, resulting in output around 6% down year-on-year.

In offshore, Beatrice (588MW, SSE share 40%) and Greater Gabbard (504MW, SSE share 50%) maintained high levels of availability throughout the year, however, Beatrice output was impacted by a wider transmission network fault during part of December. Greater Gabbard experienced higher than anticipated wind resource, whilst Beatrice was lower than expected, demonstrating the value of geographical diversity in the fleet.

Whilst there were some commissioning delays at Seagreen (1,075MW, SSE share 49%), the asset has since achieved significant stable and reliable generation towards the end of the financial year. The addition of Seagreen – which has more than doubled the installed offshore wind capacity – more than offset lower than average wind speeds, with output around 34% up year-on-year.

In hydro, teams managed extremely challenging weather conditions well throughout a number of major named storms. Plant availability was strong throughout 2023/24 and production was 3,071GWh, with normal storage levels ahead of the drier spring and summer months.

As part of standard practice, SSE Renewables periodically reviews its P50 production estimates (the forecast average measure of output over the project's life) across the fleet, updating assumptions for the latest data including weather conditions. The last four years have seen lower-than-expected weather resource, which has triggered a more detailed review of these assumptions. Whilst that review highlighted some small immaterial changes to expected output on an asset-by-asset basis, there was no net material effect across the whole fleet. The detailed review also validated the use of long-term wind speed averages – around 30 years – in the P50 production estimates, as a more accurate estimate of expected long-term profitability of these assets over their useful lives.

For financial performance commentary please refer to the Group Financial Review.

Delivering world-class assets

Seagreen formally entered into commercial operations in October 2023 with all 114 Vestas V164-10MW turbines now fully operational. Seagreen is now Scotland's largest wind farm as well as the world's deepest fixed-bottom offshore wind farm, with its deepest foundation installed at 58.7m below sea level.

Construction remains ongoing at all three phases of the world's largest offshore wind farm at Dogger Bank (each 1,200MW, SSE share 40%) off the coast of England.

All monopiles and transition pieces have now been installed at Dogger Bank A, with inter-array cable installation also well progressed. However, turbine installation has been affected by challenging weather conditions with vessel availability and supply chain delays further impacting progress. The return of the installation vessel back to site in early May has meant that turbine installation has now resumed and, assuming continued clear weather conditions, it is expected that installation activity will continue uninterrupted over the summer months, with the project targeting full commercial operations during the first half of 2025. With the HVDC Transmission system fully commissioned, it is expected that turbine commissioning and export will happen in conjunction with installation. It is not expected that the delays noted will materially affect project returns.

On Dogger Bank B, all monopiles, transition pieces and cables have been fabricated, with monopile installation having commenced in early May. An offshore substation platform utilising HVDC technology has also been successfully installed. It is expected that the delays seen on Dogger Bank A will impact the Dogger Bank B timetable, with completion of that phase expected in early 2026. Dogger Bank C works remains on track offshore and onshore with fabrication of components under way with completion of that phase expected in early 2027.

Onshore, construction of Viking (443MW) in Shetland is nearing completion. Turbine commissioning was completed throughout the winter months and the project is expected to be fully operational by Summer 2024 following energisation of the associated transmission link. When complete, Viking is expected to be the UK's most productive onshore wind farm.

In hydro, SSE Renewables continues to make progress with the Tummel Bridge power station refurbishment project, reaching a significant milestone in April 2024 with the successful commissioning and energisation of the first bespoke turbine. Full focus is now on the installation and commissioning of the second turbine, which is expected to be complete by mid-summer 2024 increasing the station's potential output to 34–40MW and extending its life by 30 years.

SSE Renewables continues to advance technology diversity as it progresses grid-scale solar and battery storage technology projects. In England, SSE's first 50MW battery energy storage system at Salisbury in Wiltshire is now fully operational while a second 150MW battery storage project at Ferrybridge in Yorkshire is due to reach completion within the next 12 months, located at the site of SSE's former coal power station. Construction is also under way at SSE's 320MW battery energy storage project at Monk Fryston, also in Yorkshire, which will be completed in 2025/26. In December 2023, SSE Renewables took a final investment decision and started construction of a 150MW/300MWh battery energy storage system project in Warrington, Cheshire, at the site of SSE's former Fiddler's Ferry coal-fired power station. The asset is expected to be operational in summer 2025.

In Ireland, the 30MW Lenalea onshore wind farm in Donegal (SSE share 50%) became fully operational in December 2023. Together with co-development partners FuturEnergy Ireland, the business has entered into a multi-year Corporate Power Purchase Agreement (CPPA) with Microsoft which will see the renewable electricity produced at Lenalea contributing towards Microsoft's goal of powering its data centre operations with 100% renewable energy by 2025. This is the first long-term CPPA which SSE Renewables has entered into for one of its assets. In the country's Midlands, turbine installation at the 29-turbine, 101MW Yellow River wind farm is on track to be completed by Summer 2024, with commercial operations expected in early 2025. It secured a 16.5-year RESS 3 contract for low carbon power for all installed capacity.

Good progress is also being made at the first of SSE's onshore Continental Europe wind projects with Chaintrix (28MW) in France and Jubera (64MW) in Spain under construction and targeting commissioning at the end of 2024 and 2025, respectively.

Domestic opportunities

Onshore wind

SSE Renewables has maintained its focus on growing its onshore wind portfolio in home markets. It was the biggest winner in the UK Government's fifth Contracts for Difference (CfD) Allocation Round. Strathy South, Aberarder, and Bhlaraidh Extension onshore wind farm projects in the Scottish Highlands, and the Viking wind farm project secured CfDs for a total of 605MW at a guaranteed strike price of £52.29/MWh, based on 2012 prices but annually indexed for CPI inflation. A final investment decision was announced on Aberarder (50MW) in May 2024, and enabling works on Bhlaraidh Extension (101MW) are scheduled to complete in June 2024 with main construction due to commence in early 2025, subject to a final investment decision.

In addition, SSE Renewables, together with Bord na Móna, announced in March 2024 one of the largest ever joint venture renewable energy deals in the Irish market to accelerate delivery of up to 800MW (SSE share 50%) of new onshore wind generation over the next decade. The joint venture includes three projects already in pre-planning development (c.250MW) as well as a portfolio of 550MW of future prospects.

Offshore wind

Turning to offshore wind, SSE Renewables did not enter offshore bids for AR5 because the process did not meet SSE's investment criteria. However, progress continues to be

SSE Renewables key performance indicators

	March 2024	March 2023
SSE Renewables		
Renewables adjusted operating profit – £m	**833.1**	561.8
Renewables reported operating profit – £m	**630.3**	428.1
Renewables adjusted investment & capital expenditure before acquisitions – £m	**1,097.1**	911.5
Generation capacity – MW		
Onshore wind capacity (GB) – MW	**1,285**	1,285
Onshore wind capacity (NI) – MW	**117**	117
Onshore wind capacity (ROI) – MW	**582**	567
Total onshore wind capacity – MW	**1,984**	1,969
Offshore wind capacity (GB) – MW	**1,014**	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	**4,457**	3,915
Contracted capacity	**2,792**	2,792
Generation output – GWh		
Onshore wind output (GB) – GWh	**2,461**	2,770
Onshore wind output (NI) – GWh	**251**	286
Onshore wind output (ROI) – GWh	**1,352**	1,357
Total onshore wind output – GWh	**4,064**	4,413
Offshore wind output (GB) – GWh	**2,477**	1,846
Conventional hydro output (GB) – GWh	**3,071**	3,037
Pumped storage output (GB) – GWh	**315**	301
Total renewable generation (inc. pumped storage) – GWh	**9,927**	9,597
Total renewable generation (also inc. constrained off GB wind) – GWh	**11,158**	10,159

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 GB wind output excludes 530GWh of compensated constrained off generation in 2023/24 and 456GWh in 2022/23; Offshore GB wind output excludes 701GWh of compensated constrained off generation in 2023/24 and 106GWh in 2022/23
Note 4: Biomass capacity of 15MW and output of 78GWh in 2023/24 and 68GWh 2022/23 is excluded, with the associated operating profit or loss reported within SSE Enterprise
Note 5: Offshore capacity increased by 527MW with Seagreen offshore windfarm fully operational in October 2023
Note 6: ROI Onshore capacity increased by 15MW with Lenalea fully operational December 2023

made on a number of development opportunities that could deliver significant volumes of offshore wind needed to help the UK achieve energy security targets. Located in the North Sea, in the outer Firth of Forth, Berwick Bank wind farm has the potential to deliver up to 4.1GW of installed capacity, making it one of the largest offshore opportunities in the world. In December 2023, East Lothian Council granted planning permission in principle for the project's onshore transmission infrastructure and grid connection at Branxton. However, the project continues to await consent for the offshore array from the Scottish Government, which is now expected during 2024.

In partnership with Equinor, SSE Renewables is also actively developing a fourth phase of Dogger Bank wind farm, Dogger Bank D (up to 2GW, SSE share 50%). In March 2024, National Grid ESO published the Transitional Centralised Strategic Network Plan (tCSNP2) which included confirmation that Dogger Bank D will connect into Birkhill Wood, a proposed new 400kV substation located in the East Riding of Yorkshire. The tCSNP2 publication also included details of the onshore design requirements for SSE Renewables 3.6GW floating offshore wind project, Ossian, (SSE share 40%) which will be located in Lincolnshire.

In Ireland, the business 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 in Spring 2024 to Ireland's planning board, An Bord Pleanála, and will continue to demonstrate discipline whilst it considers alternative routes to market.

The next ORESS auction (ORESS 2.1) will be for a 900MW site within the South Coast Designated Maritime Area Plan (DMAP) announced in May 2024 and is expected to take place in the first half of 2025. Subsequent auctions, within this and new DMAPs are expected to follow annually to 2030.

Hydro/pumped Storage
In January 2024, the UK Government published a consultation on how it intends to support the deployment of long-duration electricity storage projects, a process with which SSE has actively engaged. Subject to being successful in the administrative allocation of an investable cap and floor mechanism, SSE Renewables hopes to make a final investment decision on Coire Glas (1,300MW) in late 2025 or early 2026, allowing for main construction to commence in the second half of 2026. Construction is expected to last up to seven years, which means the project could be operating in 2032 and fully completed during 2033. Plans are also progressing to convert the existing plant at Sloy power station into pumped storage hydro.

Solar and batteries
SSE Renewables continues to view solar and battery technologies as key net zero enablers. Its ~2GW secured pipeline of projects across the UK and Ireland includes a recently-acquired and fully-consented 100MW/200MWh battery storage project in County Tyrone, Northern Ireland, on which SSE hopes to make a final investment decision in the next 12 months.

Overall, the deliverability of the future prospects pipeline is being assessed in light of the ongoing NGESO Connections Reform proposals.

International opportunities

Continental Europe
SSE Renewables is progressing its Southern European onshore wind development portfolio of ~4.5GW. It is currently expected that over 120MW of projects will aim for a final investment decision in the next 12 months, with a total of 220MW in operation by March 2027. In Northern Europe, the business is progressing a 959MW portfolio of solar photovoltaics ('solar PV') projects in Poland. This early-stage pipeline will be progressed under Developer Services Agreements with local development partners.

SSE Renewables also has other selective offshore wind opportunities in Northern Europe. In the Netherlands, it has bid into the Dutch Government's Ijmuiden Ver zone tender (2 x 2GW), with its joint venture partner APG (acting on behalf of Dutch pension fund ABP), with winning bids expected to be announced in Summer 2024. The business will continue to assess participation in offshore leasing rounds across selected markets in Northern Europe, where they offer attractive returns.

Japan
SSE Renewables is continuing to pursue offshore wind opportunities in Japan through its joint venture SSE Pacifico (80% stake) and its dedicated team in Tokyo where it has both self-developed sites alongside targeted bid partnerships with which to enter auctions.

SSE Renewables project pipeline

Project	Capacity (MW)	SSE Share (MW)
In construction		
Offshore wind	3,600	1,440
Onshore wind	686	686
Solar and battery	650	651
Total in construction – GW		**2.8GW**
Late-stage development		
Offshore wind	500	245
Onshore wind	892	861
Solar and battery	250	250
Pumped storage	1,300	1,300
Total late-stage development – GW		**2.6GW**
Early-stage development		
Offshore wind	9,004	6,592
Onshore wind	3,431	2,782
Solar and battery	1,950	2,009
Total early-stage development – GW		**11.4GW**
Total secured pipeline – GW		**16.8GW**
Other future prospects		
Offshore wind	~8,000	~6,000
Onshore wind	~3,000	~3,000
Solar and battery	~3,000	~2,300
Hydro	~1,800	~900
Total future prospects		**~12GW**

Notes: Table reflects ownership and development status as at 31 March 2024. All capacities are subject to change as projects refined. Onshore includes solar and battery hybridisation. Late-stage is consented in GB and Ireland and grid or land security elsewhere, early-stage has land/seabed rights in GB and Ireland and some security over planning or land elsewhere. Future prospects are named sites where non-exclusive development activity is under way.

SSE Thermal

> "Our assets remain integral to the decarbonising energy systems in GB and Ireland, reflecting the value of flexibility to both SSE and society. Our teams are also driving progress on the next generation of low carbon flexible energy generation and storage through technologies like carbon capture, hydrogen and biofuels."
>
> **Finlay McCutcheon**
> **Managing Director, SSE Thermal**

SSE is continuing to develop options for hydrogen blending technology at Keadby 2 in Lincolnshire

Operational delivery

SSE Thermal's fleet delivered another strong year of performance in GB and Ireland, despite lower spark prices and less volatility compared to 2022/23. Value has been secured by selling output to the market and contracting forward ahead of delivery, using the fleet's inherent flexibility to optimise the value received.

In GB, the impact of unplanned outages, most notably at Keadby 2 and a one-off extended outage at Marchwood, were offset by value captured during pockets of volatility throughout the year. This demonstrates the importance of asset availability in line with system needs, where the ability to efficiently flex output is becoming more valuable. Managing availability responsibly, both within year and taking a view of future system needs, continues to be a priority for SSE Thermal.

Keadby 2 (893MW), which entered commercial operation in March 2023, is Europe's most efficient CCGT, displacing older more carbon intensive plant on the system. A planned outage was successfully delivered across the summer, alongside unplanned outages, both recognising the first-of-a-kind nature of this plant. In October 2023, Keadby 2's 15-year Capacity Market agreement commenced in line with expectations, with all milestones having been met.

In February 2024, the GB four-year ahead Capacity Market auction cleared at a record high clearing price of £65/kW, with all of SSE Thermal's wholly-owned and Joint Venture CCGTs securing agreements. A similar trend was seen in Ireland T-4 auction results, with a record high clearing price for delivery in 2027/28. Great Island (374MW derated) and SSE Thermal's two smaller peaking plant (89MW derated) secured agreements in this auction. Keadby 1 (692 MW) and Medway (673MW) also secured one-year ahead agreements commencing in October 2024, having not taken agreements in the four-year ahead auction. These auction results demonstrate the enduring need for flexible capacity on the GB and Ireland system.

In Ireland, Great Island (464MW) continued to see increased output year-on-year, demonstrating the ongoing need for dispatchable plant in that constrained marked. Tarbert oil-fired power station (620MW) closed at the end of December 2023, in line with requirements under the Industrial Emissions Directive.

SSE Thermal has now secured ISO 55001 certification across its portfolio – an international asset management standard which underlines the approach we take to ensure effective management of plant availability across the lifecycle of our portfolio.

For financial performance commentary please refer to the Group Financial Review.

Construction programme

Final commissioning is continuing at Slough Multifuel (55MW), the energy-from-waste facility which is a 50:50 Joint Venture with Copenhagen Infrastructure Partners. First fire was achieved in March 2024 and the project is on track to enter commercial operations ahead of schedule in summer 2024.

In Ireland, construction is ongoing on a Temporary Emergency Generation unit at our Tarbert site in County Kerry. This is being delivered at the request of Irish authorities, with the 150MW plant to run on distillate oil. The unit is scheduled for delivery in September 2024. Under legislation from the Irish Government, it will cease operations when the temporary electricity emergency has been addressed and no later than March 2028. Until then, it would only be utilised when it is clear that market-sourced generation will not be sufficient to meet system needs and with a maximum duration of 500 hours per year.

SSE Thermal key performance indicators

	March 2024	March 2023
SSE Thermal		
Thermal adjusted operating profit – £m	**736.1**	1,031.9
Thermal reported operating profit – £m	**644.4**	1,089.5
Thermal adjusted investment and capital expenditure, before acquisitions – £m	**99.6**	153.2
Generation capacity – MW		
Gas- and oil-fired generation capacity (GB) – MW	**5,538**	5,538
Gas- and oil-fired generation capacity (ROI) – MW	**672**	1,292
Total thermal generation capacity – MW	**6,210**	6,830
Generation output – GWh		
Gas- and oil-fired output (GB) – GWh	**13,597**	16,781
Gas- and oil-fired output (ROI) – GWh	**1,650**	1,532
Total thermal generation – GWh	**15,247**	18,313

Note 1: Capacity is wholly owned and share of joint ventures, and reflects Transmission Entry Capacity
Note 2: ROI capacity in March 24 reflects closure of Tarbert oil-fired station
Note 3: Output is based on SSE 100% share of wholly owned sites and 100% share of Marchwood PPAs due to the contractual arrangement.
Note 4: 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 2028
Keadby (GB)	CCGT	755MW	100%	To September 2028
Keadby 2 (GB)	CCGT	893MW	100%	16 years commencing October 2022
Peterhead (GB)	CCGT	1,180MW	100%	To September 2028
Seabank (GB)	CCGT	1,234MW	50%	To September 2028
Marchwood (GB)	CCGT	920MW	100%	To September 2028
Saltend (GB)	CCGT	1,200MW	50%	To September 2028
Indian Queens (GB)	OCGT	140MW	50%	To September 2028
Slough Multifuel (GB)	Energy from Waste	50MW	50%	15 years commencing October 2024
Burghfield (GB)	OCGT	45MW	100%	To September 2028
Chickerell (GB)	OCGT	45MW	100%	To September 2028
Great Island (Ire)	CCGT	464MW	100%	To September 2028
Rhode (Ire)	Gas/oil peaker	104MW	100%	To September 2028
Tawnaghmore (Ire)	Gas/oil peaker	104MW	100%	To September 2028
Tarbert (Ire)	Biofuel	300MW	100%	10 years commencing October 2026
Platin (Ire)	Biofuel	150MW	100%	10 years commencing October 2026
Platin (Ire)	Biofuel	150MW	100%	10 years commencing Oct 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
Medway has capacity obligation in 2023/24 and 2026/27 but none in 2025/26.
Keadby 2 16 year obligation comprised of a T-1 and a 15 year contract
The Tarbert oil-fired station previously reported was closed in September 2023.

Growth opportunities

Flexibility, along with renewables and networks, is a core pillar of the future energy system and there is a critical need for new low-carbon flexible power in both GB and Ireland this decade. SSE Thermal continues to progress its low-carbon plans to help meet this urgent requirement while working to decarbonise its CCGT fleet where possible – vital actions for delivering our goal of an 80% reduction in carbon intensity by 2030.

In GB, there is cross-party support on the need for both CCS and hydrogen, underlining the strategic rationale of SSE's growing low-carbon portfolio. To enable these technologies, Government intervention is needed both in terms of relevant policies and in building the shared CO_2 and hydrogen pipeline infrastructure that new assets will connect to and rely on. However, policy progress has been slow.

For CCS, the Government is expected to launch the Track 2 process during 2024/25, which will allow projects within the Scottish Cluster and Viking Cluster the opportunity to connect to shared infrastructure. Progress is also expected on the Track 1 Expansion process, which would support projects within existing Track 1 clusters in the north-east and north-west of England. This could create opportunities for SSE Thermal's CCS projects being developed in a 50/50 collaboration with Equinor – Keadby Carbon Capture Power Station (910MW) in North Lincolnshire and Peterhead Carbon Capture Power Station (900MW) in Aberdeenshire to secure Dispatchable Power Agreements. FEED studies have been completed at Keadby Carbon Capture, which has planning consent in 2022. At Peterhead, FEED studies continue while a planning decision is expected in the current financial year.

Recognising that progress to decarbonise is slower than expected, SSE Thermal has evolved its CCGT strategy to ensure new projects can meet the short-term capacity challenge while driving long-term decarbonisation efforts. In 2024/25, Keadby Hydrogen Power Station will go into planning with the application being 'dual fuel' in nature. This means that the 900MW plant – being developed on a 50/50 basis with Equinor – could either run on hydrogen or natural gas whilst being operational by 2030. While the ambition would be to run on 100% hydrogen from inception, Keadby Hydrogen would have the capability to run on natural gas for an initial period if the necessary hydrogen infrastructure is not fully in place, while also utilising market-leading turbine technology to ensure maximum efficiency.

To minimise the risk of locking-in unabated emissions, SSE has set clear criteria against which it will evaluate whether to enter potential hydrogen-ready CCGT projects into planning. This includes proximity to planned national or regional hydrogen networks, location within an established cluster, grid connection access and compatibility with SSE's Net Zero Transition Plan. SSE will assess whether a project has a clear pathway to full decarbonisation by 2035, within a supportive regulatory framework, before taking any Final Investment Decision.

In addition, development continues on other projects across the hydrogen value chain. A strategic investment has been made to acquire 50% of H2NorthEast, a proposed blue hydrogen production facility in Teesside co-owned with Kellas Midstream. Blue hydrogen production will be essential to scaling up broader hydrogen production efforts and providing volumes required to decarbonise power generation. As part of the East Coast Cluster, H2NorthEast is expected to participate in the Track 1 Expansion process.

SSE Thermal also continues to progress green hydrogen production projects into UK Government's HAR2 allocation round, which aims to provide revenue support to 850MW of green hydrogen production capacity. This includes Aldbrough Hydrogen Pathfinder, which in addition to hydrogen production also includes hydrogen storage and hydrogen power generation. Additionally, SSE is continuing to develop options for hydrogen blending into Keadby 2, with pre-FEED activity under way, and at Saltend Power Station, part of the Triton Power portfolio co-owned by SSE Thermal and Equinor.

In Ireland, the business continues to advance new power stations which would utilise sustainable biofuels (in accordance with EU sustainability standards) and would be capable of converting to hydrogen in the future. A decision is expected from An Bord Pleanála this summer on planning consent for the 300MW Tarbert Next Generation power station. Initial consent is secured on the 170MW Platin power station from Meath County Council, with the decision now referred to An Bord Pleanála and a decision also expected this summer. This will allow final investment decisions to be made this year, with both projects holding 10-year Capacity Market agreements due to commence in the 2026/27 delivery year.

Gas Storage

SSE Gas Storage key performance indicators

	March 2024	March 2023
SSE Gas Storage		
Gas Storage adjusted operating (loss)/profit – £m	**82.8**	212.5
Gas Storage reported operating profit – £m	**(42.2)**	249.2
Gas Storage adjusted investment and capital expenditure – £m	**0.8**	6.3
Gas Storage level at period end – mTh	**40**	126
Gas Storage level at period end – %	**21**	65

Gas Storage overview

SSE holds around 40% of the UK's conventional underground gas storage capacity at two sites on the East Yorkshire coast. The Atwick facility, near Hornsea, is wholly-owned by SSE, while the Aldbrough facility is operated as a joint venture with Equinor. These two sites offer flexibility and hedging services to the UK and interconnected gas markets.

As part of the transition to a net zero future, opportunities to convert gas storage facilities to store low-carbon hydrogen, which can be used to decarbonise power generation, industry, heat, transport and other key sectors are being explored.

Operational Delivery

SSE's Gas Storage assets continue to respond to market needs, optimising assets to help ensure security of gas supply for the UK whilst providing important liquidity to the market. These assets are an important risk management tool to the Group's generation portfolio by offering short-notice flexibility, as a result of their technical ability to cycle quickly, to mitigate exposures from wind speeds and demand variability. Positive spreads between summer and winter, combined with trading optimisation, supported a year of strong performance.

In Aldbrough, after successfully returning to service ahead of winter 2022/23, Caverns 6 and 9 have performed well, providing valuable additional capacity and deliverability to the UK system. And with the equivalent of two caverns being added over the past three years at Atwick, work to optimise maximum and minimum operation pressures also continues. Work is also under way to rewater Aldbrough Cavern 4Z, which has been operating at a reduced level due to cavern instability, with completion of this work expected in 2024.

In April 2023, Gas Storage secured ISO 55001 certification, an international asset management standard, for Atwick and Aldbrough facilities.

For financial performance commentary please refer to the Group Financial Review.

Growth opportunities

In December 2023, an updated view of gas security of supply and demand was published by the UK Government alongside an exploration of the future role that flexible sources of gas supply, including storage, might play in gas security over the medium to long term. This concluded that natural gas will continue to play a role in delivering energy security to 2050, as part of a net zero emissions trajectory, with additional requirements for flexibility. The UK Government intends to issue a call for evidence on gas flexibility, to explore potential roles and policy frameworks. 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.

Following the publication of a minded-to position on Hydrogen Storage Business Model support, the UK Government has undertaken further market engagement on allocation of support. The first allocation round is expected to open later in 2024, to support investments in nationally strategic hydrogen storage assets. SSE is developing Aldbrough Hydrogen Storage, a new build hydrogen storage facility, with a view to participating in this allocation round.

Energy Customer Solutions

"

Supporting customers still feeling the effects of the energy crisis has remained a priority for the business. Strengthening our digital and system capabilities is also a key focus, enabling SSE to grow and develop our customer offering in green and low carbon energy solutions."

Nikki Flanders
Managing Director, Energy Customer Solutions

SSE Business Energy is helping customers optimise their energy usage

SSE Business Energy key performance indicators

	March 2024	March 2023
SSE Business Energy		
SSE Business Energy adjusted & reported operating profit – £m	**95.8**	15.7
Electricity Sold – GWh	**10,693**	12,108
Gas Sold – mtherms	**168**	200
Aged Debt (60 days past due) – £m	**336**	167
Bad debt expense – £m	**113**	108
Energy customers' accounts – m	**0.38**	0.43

SSE Business Energy

Operational delivery

The current year has seen the business return to a higher level of profitability, reflecting the well-established competitive pricing and hedging controls in the business. However, it still remains a challenging environment for consumers and customer-facing businesses which has led to a customer support fund of £15m being established in the period to support customers including small businesses, voluntary and charitable organisations.

Enabling customers to optimise their energy consumption remains a key focus with the development of data tools and a 26% increase in smart meter installations year on year. The business has also invested considerably to improve customer experience and to meet future needs by upgrading its legacy billing platform and implementing digital technologies.

Connecting customers with SSE Renewables assets continues to grow with additional corporate customers taking CPPA products during the year. SSE Business Energy has also trialled a new flexibility service called EnergiFlex, enabling customers to participate in National Grid's Demand Flexibility Service (DFS) and incentivising businesses to reduce demand during peak hours to help balance the grid.

For additional financial performance commentary please refer to the Group Financial Review.

Growth opportunities

The strength of the BE book and the strong portfolio mix means the business is well positioned to expand its product suite. Under the SSE Energy Solutions brand, the business is delivering solutions to help customers reduce carbon emissions and energy costs across multiple sectors. Our digital capability is rapidly expanding, enabling us to offer increased flexibility and energy optimisation.

SSE Airtricity key performance indicators

	March 2024	March 2023
SSE Airtricity		
Airtricity adjusted operating profit – £m	**95.0**	5.6
Airtricity reported operating profit – £m	**94.5**	5.2
Aged Debt (60 days past due) – £m	**18.3**	11.0
Bad debt expense – £m	**13.7**	7.8
Airtricity Electricity Sold – GWh	**6,400**	5,795
Airtricity Gas Sold – mtherms	**199**	193
All Ireland energy market customers (Ire) – m	**0.75**	0.74

"SSE Airtricity remains focused on continued growth of its energy efficiency and low-carbon solutions offering."

SSE Airtricity

Operational delivery

Maintaining SSE Airtricity's commitment to help its customers remains a key focus for the business with consecutive tariff reductions taking effect in October 2023 and February 2024.

Continuation into 2023/24 of support for financially vulnerable customers was provided under the terms of the €25m customer support fund established in 2022/23. A further €5m all-island Community Fund was announced in May 2024 to support communities on the path to net zero.

SSE Airtricity continued its focus on enabling access to low carbon solutions for its customers including the delivery of 500 home energy upgrades during the year. The business strives to continually improve customer experience, including through the expansion of digital tools such as AI to enhance the offering.

For additional financial performance commentary please refer to the Group Financial Review.

Growth opportunities

SSE Airtricity remains focused on continued growth of its energy efficiency and low-carbon solutions offering with planned expansion into the Northern Ireland's domestic and business markets. Investment in innovations such as demand side management and the further expansion of low-carbon solutions provides additional avenues for growth.

Energy Customer Solutions MD Nikki Flanders spends time with a customer in Dublin

SSE Enterprise

"

SSE Enterprise aspires to be the UK and Ireland's leading provider of local energy infrastructure. Our strategic energy partnerships with local authorities will unlock new commercial opportunities for the SSE Group to accelerate the net zero transition and create social value."

Neil Kirkby
Managing Director, SSE Enterprise

SSE Enterprise has a strategic partnership with Greater Manchester Combined Authority

SSEN Enterprise key performance indicators

	March 2024	March 2023
SSEN Enterprise		
SSE Enterprise adjusted operating (loss) – £m	**(25.6)**	(7.0)
SSE Enterprise reported operating (loss) – £m	**(25.6)**	(13.1)
SSE Heat Network Customer Accounts	**12,104**	11,431
Biomass, heat network and other capacity – MW	**26**	26
Biomass, heat network and other output – GWh	**105**	96

Operational delivery

Operational availability across the portfolio of 18 heat networks across Scotland and England has remained strong during the year, with Slough Heat and Power in particular benefiting from additional connections to deliver electric, water and steam services across Slough Trading Estate.

SSE Enterprise has continued to advance its IDNO capabilities, including the development of a 150MVA private network connection trial at Imperial Park, bringing the total capacity at that site to around 400MVA.

Progression of the businesses' EV infrastructure growth strategy continues, with 13 electric charging hubs either completed or built during the period. This includes the upcoming launches of Scotland's most powerful EV charging hub in Myrekirk, Dundee (2.5MVA) and SSE's first EV hub in the Republic of Ireland in Lough Sheever (800kVA).

The smart digital energy solutions business continues to support value creation within SSE, working with the Energy Markets team to optimise the front of meter battery trading activity for the Group. Externally, the business also secured contracts to provide optimisation services for a 500MW battery energy storage system project in Coalburn, Scotland, one of the largest of its kind in Europe.

For additional financial performance commentary please refer to the Group Financial Review.

Growth opportunities

The size and scale of the pipeline of opportunities for SSE Enterprise has continued to increase during the year, as the business looks to develop its whole-system approach to local networks, including behind-the-meter solar, and battery and energy optimisation services.

The business has seized a number of opportunities to help local authorities execute local energy projects, signing several strategic energy partnerships with Greater Manchester Combined Authority, West Midlands Combined Authority and Newcastle City Council, with an ambition to go further.

In December 2023, the UK Government published a consultation on proposals for a new regulatory and zoning regime to support investment in heat networks in England. The legislative passage of these proposals would help unlock an ambitious heat project pipeline under development by the business that is pioneering innovation in heat distribution. This includes capturing heat from data centres, deep geothermal, electricity network transformers and energy from waste plants.

SSE Energy Markets

"The Energy Markets business continues its development into a market leading energy trading business. This included taking on the role as optimiser for all of the SSE energy businesses allowing a consolidated view of all market risks and opportunities. In addition, we have added value through third-party contracts and our increased trading in European markets which will also support the Group's international ambitions in the future."

Gordon Bell
Managing Director, SSE Energy Markets

Traders at work in SSE Energy Markets' offices in the heart of Edinburgh

Operational delivery

SSE Energy Markets continues to optimise the flexibility of the Group, maximising benefits from the diverse portfolio while mitigating risk around natural market turbulence. Having successfully optimised energy assets in the short-term, Energy Markets is now also the primary decision maker for longer term trading periods, allowing decisions to be made quickly from one Centre of Excellence.

The value Energy Markets secured for SSE's asset portfolio continues to be reported against individual Business Units.

For additional financial performance commentary please refer to the Group Financial Review.

Growth opportunities

As well as taking on a leading role in optimising SSE's market-based assets, SSE Energy Markets is also expanding the ways in which it independently adds value to the Group.

This includes contracts being secured with Copenhagen Infrastructure Partners and Sheaf Energy Limited to deliver trading and optimisation services for their respective energy storage projects. It also includes an increase in trading in European power and gas markets which will also support the wider group's ambition of international growth.

In addition, Energy Markets continues to develop its data and advanced analytics capabilities setting it up well for future developments in the markets.

SSE Energy Markets key performance indicators

	March 2024	March 2023
SSE Energy Markets		
SSE Energy Markets adjusted operating profit/(loss) – £m	**38.9**	80.4
SSE Energy Markets reported operating profit/(loss) – £m	**590.0**	(2,626.0)

"SSE Energy Markets is expanding the ways in which it independently adds value to the Group."

Risk

Risk informed decision making

"The energy transition and the rapid pace of change mean that our understanding of risks and how we manage them must be dynamic, to ensure we can continue to deliver our strategy and create value for all our stakeholders."

Barry O'Regan
Chief Financial Officer and Chair of Group Risk Committee, SSE plc

21 May 2024

SSE has continued to manage significant societal, environmental, commercial and political factors this year amidst a changing energy landscape. SSE's ambition, strategy and mix of businesses mean it is well placed to meet the challenges associated with net zero, while maximising opportunities.

Critical to this is ensuring robust risk management is in place enabling an approach that can be adapted and flexed to meet the changing nature of the business. At the core of SSE's risk management is a strong risk culture that ensures everyone in the Company is empowered to make considered decisions.

Continued geopolitical unrest, an increased number of named storms and dilution of some of the UK Government's climate change commitments are just a few issues that have influenced SSE's risks exposures in the past 12 months. SSE's Energy Market review on pages 52 and 53 provides more detail on the range of external factors that influenced the risk exposures to the Group over the course of the year.

This year the Group Executive Committee and relevant sub-committees have continued to oversee the Group's Principal Risks, with particular consideration given to those that have high materiality, namely: Cyber Security and Resilience, Portfolio Exposure, Political and Regulatory Change and ongoing reviews of climate-related risks that have the potential to threaten delivery of SSE's strategy.

The increased global demand for renewables has caused a tightening of the supply chains on which SSE relies. This combined with supply chain issues already being felt across the Large Capital Projects Programme, has resulted in a new "Supply Chain" risk being included following the recent assessment of the Group Principal Risks.

While managing the risks associated with its supply chain has always been a priority, and intrinsic to some of the other Principal Risks, securing reliable, sustainable supply chains has emerged as a greater risk for both SSE and the wider energy sector.

More forward looking, geopolitical unrest such as Russia's invasion of Ukraine, war in the Middle East, and the potential outcomes of elections in leading economies, including the UK, are kept under review to understand their potential impacts. While inflation is easing, the cost of living continues to impact energy affordability in the short term, with consideration given to the longer-term implications of the cost associated with the net zero transition.

Internally, the large workforce expansion required to meet net zero targets needs careful consideration to ensure successful onboarding of new employees and critically, maintain SSE's cultural values that are integral to the success of the Group.

In the longer-term, emerging risk themes include the future consequences of geopolitical change, the potential risk and opportunities created by new technologies including AI, market conditions and changes to the regulatory environment.

Full details of our Principal Risks can be found on pages 89 to 95.

How SSE manages risk

At the heart of SSE's Risk Management Framework is a strong risk culture enabling everyone in SSE to take accountability and responsibility for managing risk. This overarching framework provides Business Units the ability to manage risk exposures against their individual strategic objectives and operations whilst allowing the Group to maintain a holistic view of the Group risk profile.

The Risk Management Framework forms part of SSE's System of Internal Control (further details can be found on page 151) and sets the foundation for how risks are managed across the Group. SSE's risk management process consists of four stages (as shown below), which support considered decision making.

Risk Management Process

Assessing Principal Risks

The Principal Risk assessment process provides a risk rating based on how likely risks are to occur and what the subsequent impacts would be, considering the effectiveness of controls in place to mitigate should the risk materialise. Ongoing oversight from the Group Executive Committee and its sub committees ensures that risks are regularly assessed with appropriate mitigations implemented where necessary.

The Group Executive Committee and its subcommittees (as detailed on page 114) have responsibility for overseeing the Principal Risks. An annual assessment of each Principal Risk requires committee members and subject matter experts to provide commentary on:

- contextual changes to the risks;
- consideration whether over the course of the year the risks have increased or decreased in materiality; and
- confirm effective mitigations are in place for managing the risks.

The responses are consolidated forming Principal Risk reports, including provisional viability testing and current management information and presented back to each committee for endorsement. The committees 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.

The outputs from these committee assessments are then presented to the Group Executive Committee for full review, following which, final approval is obtained from the Board. This is an inclusive and iterative process that results in considered and objective outputs and a robust assessment of the Principal Risks.

The outcome of the Principal Risk assessment can be found on pages 89 to 95.

Identifying Emerging risks

Throughout the year, emerging risks are considered on an ongoing basis, in response to changing operating environments or events that have the potential to impact SSE. The Group will assess risks that emerge and take the appropriate action ensuring a dynamic risk profile.

Consideration is also given to emerging risks which have the potential to become a Principal Risk in the medium to long term as part of the Principal Risk assessment process. Any common themes that emerge from stakeholder engagement are defined, assessed and presented for discussion with the Group Risk Committee, agreement at the Group Executive Committee and final ratification at Board.

Evolving Risk Management

As SSE's risk profile changes, there is a need to evolve the Group risk management approach to maintain pace and continue to improve risk maturity. This is critical to ensure that the underlying risk culture continues to provide an environment where everyone feels empowered to take risk, in line with SSE's risk appetite and strategy.

This year, the Group is enhancing the risk management framework and adopting a new technology solution. Both will provide improved awareness and oversight, enabling enhanced holistic risk reporting both across the Group and for each of the individual Business Units.

Looking ahead

In the coming year the Group will review how risk appetite can be more effectively articulated and applied, to provide greater confidence and certainty over authority and decision making.

Additionally, in acknowledgement of the ever-changing nature of the markets in which SSE operates, the Group will look to evolve and strengthen the approach to identify emerging risks. The addition of a formal Group wide, longer term horizon scanning exercise will enable a more forward looking view of risk trends and assessment of potential impact, both positive and negative to SSE's strategy.

Management of risk is key to delivery of SSE's Large Capital Projects

Risk Appetite

The Group risk appetite aligns to the achievement of SSE's strategic objectives. SSE will 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 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.

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 EU and further international markets, augmented by its acquisitions. Expansion into other new international markets is subject to rigorous scrutiny and ensuring the appropriate governance arrangements, 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.

Identifying and assessing climate opportunities and risks

SSE's Group Risk Management Framework is complemented by a specialist TCFD climate assessment that identifies and assesses climate opportunity and risk in the short (to 2030), medium (to 2050) and long term (to 2080). These three climate-related time horizons are chosen to align with the investment, capital and regulatory time horizons that govern SSE's financial, operational and capital plans

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

SSE then identifies the climate impact on its operations over the short and medium term from the perspective of market, policy or regulatory transition opportunities and risks, and over the medium and long term from the perspective of the physical risks of climate change.

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 its significant impact on SSE's stakeholders. In 2023/24, the assessment process reconfirmed that the material climate-related opportunities and risks (outlined on pages 100 to 105 of SSE's Annual Report 2023) remained relevant to SSE.

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 100 to 105), combined with SSE's Sustainability Report 2024 and CDP Climate Change response provides further information on these actions and controls.

Integrated climate-related risk assessment

SSE's Group Risk Management Framework (page 151) 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 90). Scenarios related to physical risks associated with climate change form part of SSE's viability assessment (page 109). Climate-related influencing factors and key developments are also considered against all relevant Group Principal Risks.

Group Principal Risks

The nature of the world and operating environment means that SSE's Principal Risks are intrinsically linked. Acknowledging the interconnectivity of the risks validates the need to holistically manage and monitor the Group Risk profile and to ensure the System of Internal Control (page 151) continues to support the delivery of SSE's strategy.

Developments this year

As previously highlighted, the number of Principal Risks has increased to 12 this year, with the inclusion of the newly formed "Supply Chain" risk. A higher global demand for renewable technology, combined with rising commodity prices, has the potential to drive both increased costs and supply chain capacity constraints, leading to project feasibility implications or impacting delivery timescales. Additionally, SSE must ensure the ethics and quality within the supply chain are not compromised. All of these factors have the potential to affect a number of the other Principal Risks.

Cyber Security and Resilience remains unchanged with a high likelihood and impact. Whilst a strong and continuously evolving control environment is in place, protecting SSE from the threat of cyber attack remains a top priority. Evolving the Group's technology practices to mitigate this is essential in continuing to manage this risk.

The Portfolio Exposure risk also remains unchanged with a high likelihood and impact. In comparison to the previous year where high commodity prices resulted in increases to collateral requirements, ultimately gave rise to high returns. This year while price volatility has reduced, ongoing geopolitical unrest, conflicts, upcoming elections and supply chain restrictions mean the potential return of increased volatility still remains.

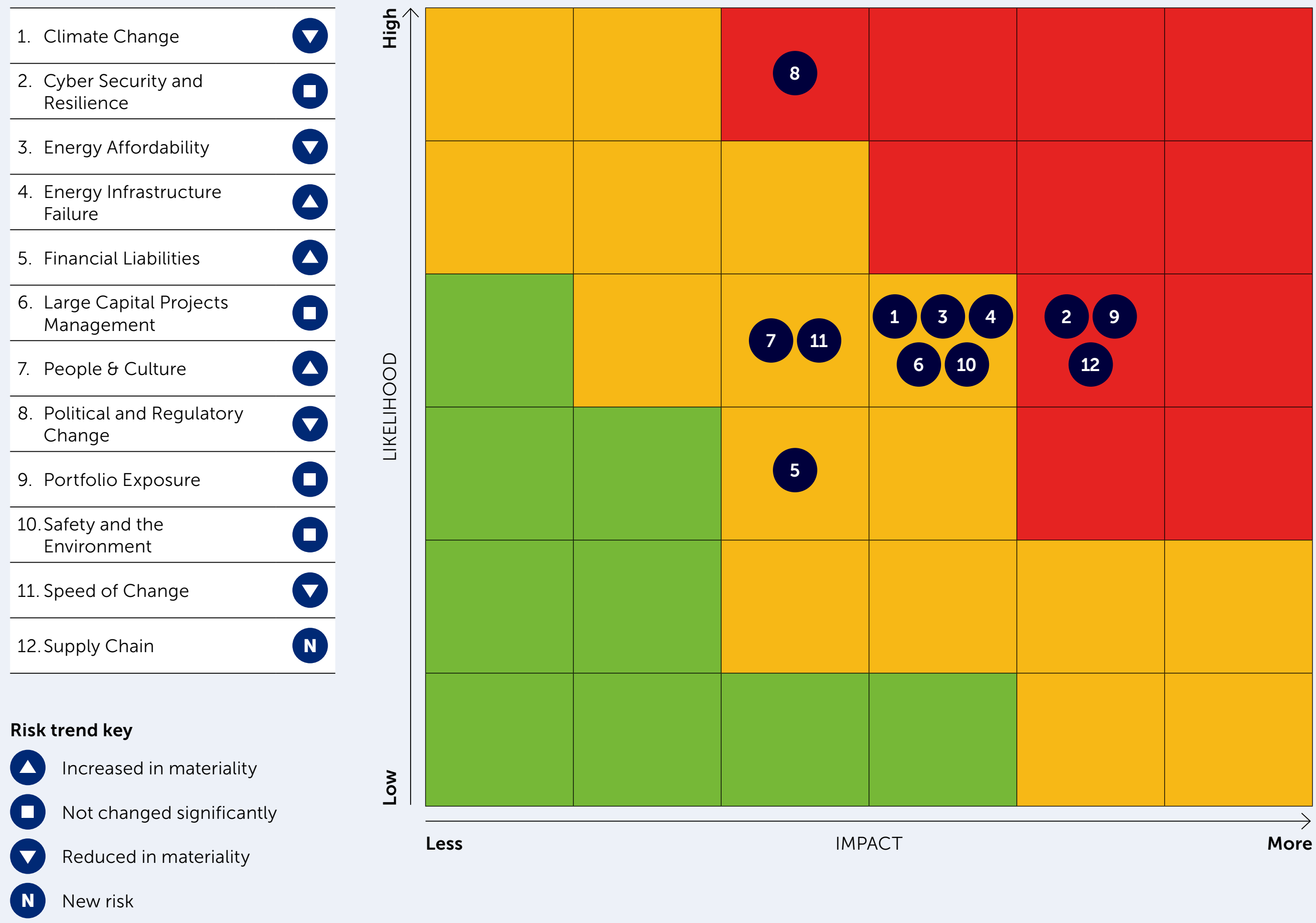
The actions taken this year around the Principal Risks of Energy Affordability and Climate Change has resulted in a reduction to materiality. Both these risks are closely linked with Political and Regulatory Change. Whilst the potential likelihood of political and regulatory change has increased due to potential outcomes of elections in the coming year, the impact of this risk has reduced. SSE has confidence that the strategy is aligned with the UK government decarbonising ambitions, and this is therefore reflected in the risk ratings.

A minor change has also been made to the definition of Speed of Change Principal Risk acknowledging that change within SSE is now a constant that requires continuous adaptation and resilience to ensure the Group's strategic direction is maintained.

The Principal Risks are mapped below providing insight to the relative impacts and likelihoods of each.

Further detail of SSE's Principal Risks including the material influencing factors, key mitigations and the developments throughout this year that have driven risk scoring can be found on pages 90 to 95.

Principal Risks



Risk trend key:
▲ Increased in materiality ■ Not changed significantly ▼ Reduced in materiality N New risk

Climate Change

Risk trend	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.

Link to strategy	Oversight
	Group Risk Committee

Material influencing factors
- Adverse weather events causing damage or interrupts energy supply or generation.
- Speed of technological developments.
- Politicisation of climate issues for the UK General Election, coupled with slow incumbent Government policy decision making and implementation.
- Global and domestic policies including those published by the UK's Committee on Climate Change relating to the Sixth Carbon Budget for the period 2033 to 2037.

Key mitigations
- Climate Change Policy and Sustainability Policy.
- Clear commitment to our strategy, driving climate-related performance programmes across the organisation.
- 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.
- Political and regulatory engagement.
- SSE is investing in decarbonising infrastructure over a five-year period to FY27 as part of its NZAP Plus.
- SSE's Net Zero Transition Plan sets out the key actions SSE will take to drive progress towards its long term net zero ambitions.
- SSE provides transparent disclosures of its governance around climate-related risks and opportunities.
- 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. See page 158.

Developments this year
- Over the year controls across adaptation planning and reporting, sustainability assessment criteria within Large Capital Projects programs, and sustainable procurement processes have been strengthened. These improvements have subsequently driven a reduction in the potential impact of this Principal Risk to the Group.
- NZAP Plus investment plan for five years to 2026/27 upgraded to £20.5bn (from £18bn) based on increasing visibility over Transmission spend and associated supply chain costs.
- Continued lobbying for a supportive environment encouraging investment in low carbon generation.
- 2023/24 was SSE's lowest scope 1 green house gas emissions.
- Further detail of our climate opportunity and risk management can be found on pages 100 to 105.

Cyber Security and Resilience

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

Link to strategy	Oversight
	Group Risk Committee

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.
- Increase in third party suppliers and joint venture heightening our risk

Key mitigations
- Cyber Security Policy and Data and Information Management Policy.
- Key technology and infrastructure risks are incorporated into the design of systems.
- Regular internal and third-party testing of the security of 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.
- Service level agreements for business-critical IT services in place.
- Business continuity plans are reviewed in response to changes in the threat to the Group and regularly tested.

Developments this year
- Geopolitical unrest resulting in continued heightened threat level.
- Significant longer-term Security Programme investment to strengthen the resilience of SSE systems.
- Thorough review of Business continuity and Disaster Recovery plans.
- Implementation of Network Information Systems (NIS) Directive for our regulated businesses.
- Continued focus to modernise the IT estate.

Link to strategy:
Develop Operate Build Invest

Energy Affordability

Risk trend

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.

Link to strategy

Oversight
Group Executive Committee

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.
- Fluctuations in the cost of fuels.
- Supplier and customer failures and related bad debt.

Key mitigations
- SSE Sustainability Policy.
- Robust stakeholder engagement across government, regulators, customers and relevant counterparties.
- Adopting and implementing government support mechanisms across multiple jurisdictions.
- Affordability schemes to support financially vulnerable customers.
- Long-term price forecasting.

Developments this year
- Energy prices, whilst historically high, have seen a reduction in consumer prices this year.
- Continuing to advocate for progressive policies will help bring forward necessary investment in low-carbon infrastructure at lowest cost to reduce customers' exposure to energy price volatility and deliver net zero affordability.
- SSE Airtricity introduced two consecutive domestic tariff reductions in Ireland and regulated tariff reductions have been introduced in Northern Ireland.
- SSE Business Energy established a £15m targeted support fund for business customers in Great Britain.
- SSEN Distribution refreshed its Consumer Vulnerability Strategy in March 2024.

Energy Infrastructure Failure

Risk trend

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.

Link to strategy

Oversight
Group Executive Committee

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 relating 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.
- Energy network balancing mechanisms to balance supply and demand on Great Britain network.
- Malicious attack on energy infrastructure.
- Continued availability of technical skillset and competency.

Key mitigations
- Recruitment strategies to attract technical skillset and experience to operate, maintain & build assets.
- Business Unit Asset Management Policies.
- Dedicated Engineering Centres of Excellence review and develop plans to ensure the ongoing integrity of its generation assets.
- Targeted investment plans to ensure the ongoing health and integrity of network assets.
- Crisis management and business continuity plans are tested regularly and are designed for the management of, and recovery from, significant energy infrastructure failure events.
- Active participant in national security forums such as the Centre for the Protection of National Infrastructure (CPNI).
- SSE plans to deliver flexible new low-carbon capacity, to play a critical role to back up wind and solar generation, ensuring security of supply across the UK.

Developments this year
- Elevating geopolitical unrest potentially leading to global security threats, cyber threats and supply chain challenges.
- SSEN Distribution responded to six named storms to restore customers' electricity supplies as safely and quickly as possible.
- Regulatory and political consensus around the importance and benefit of more strategic investment to ensure capacity and resilience in the energy system.

Risk trend key:
▲ Increased in materiality ■ Not changed significantly ▼ Reduced in materiality N New risk

Financial Liabilities

Risk trend	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.

Link to strategy	Oversight
	Group Risk Committee

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
- SSE Financial Management Policy.
- Committed borrowings and facilities are always available equal to at least 105% of forecast borrowings over a rolling six-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.
- 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 Collateral Committee meet weekly to monitor ongoing collateral requirements.
- SSE has a proven ability to maintain access to capital markets during stressed economic conditions.

Developments this year
- Ongoing impact of high UK interest rates and higher than usual cash collateral requirements for trading have resulted in a marginal increase in this risk.
- Capital markets have shown strong demand for SSE Bonds and good liquidity.
- Short- and longer-term funding supported by existing facilities and forecasts.
- SSE issued a €750m eight-year Green Bond in August 2023, earmarked for flagship onshore and offshore wind projects which have recently been completed or are under construction.
- SSE issued a £500m 20-year Green Bond in January 2024, to finance and/or refinance critical national transmission infrastructure projects.
- SSEN Transmission and SSEN Distribution both signed their first sustainability-linked Revolving Credit Facilities (RCFs).

Large Capital Projects Management

Risk trend	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.

Link to strategy	Oversight
	Large Capital Projects Committee

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.
- 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
- Large Capital Projects Governance Framework manual ensures all major capital investment projects are governed, developed, approved and executed in a consistent and effective manner.
- Dedicated Large Capital Project quality and assurance teams perform in-depth quality reviews.
- Ongoing interaction with key suppliers through SSE's Supplier Relationship Management Programme.
- SSE generally manages insurance placement by organising owner-controlled insurance for major projects, allowing greater control and flexibility over the provisions in place.
- Appropriate governance arrangements, including those relating to Join Venture and Partner Management

Developments this year
- The impacts to our Large Capital Projects associated with supply chain management are now captured within the new "Supply Chain" Principal Risk.
- Continued high pace of required growth through a large number of ongoing projects.
- Development of bespoke governance and assurance controls for international project development.

Link to strategy:

Develop Operate Build Invest

People & Culture

Risk trend	**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.

Link to strategy	**Oversight**
Invest	Group Executive Committee

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.
- Availability of career development opportunities and appropriate succession planning.
- 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.
- High demand for recruitment may cause culture dilution.

Key mitigations

- SSE Employment Policy and SSE Whistleblowing Policy.
- Inclusion and Diversity plan, further details are available on pages 44 and 45.
- SSE Governance arrangements, including those relating to JV and Partner Management.
- Employee support for 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 steps employees should take to ensure their day-to-day actions and decisions are consistent both with SSE's values and ethical business principles.
- Incidents of wrongdoing can be reported through both internal and external mechanisms, including an independent 'Speak Up' phone line and email service.
- SSE's business leaders undertake regular succession planning reviews. At a Group level, SSE continues to develop its approach to the management of talent.
- Introduction of Performance Edge, an evolved approach to leading and managing performance.
- SSE invested a total of £32.0 m in learning and development and pipeline programmes.

Developments this year

- While the developments this year are positive, the increase in risk trend reflects the need to ensure culture is protected and maintained while large numbers of employees are joining the organisation.
- SSE saw a 14% increase in headcount at 31 March 2024 compared to the previous year. SSE continued with its commitment to create at least 1,000 jobs every year until 2025 and filled a total of 4,381 positions across internal and external recruitment.
- SSE's employee retention rate improved slightly to 91.3%.
- Positive GPTW Employee engagement (see page 40).
- Review of SSE's six core values resulting in new simpler descriptions to better reflect its ethical ways of working.
- SSE announced an enhanced approach to its Personal Contract Pay for employees in the UK and Ireland.

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.

Link to strategy	**Oversight**
Develop, Operate, Build, Invest	Group Executive Committee

Material influencing factors

- SSE aligns 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

- SSE Political and Regulatory Engagement Policy.
- Dedicated Corporate Affairs, Regulation, Legal and Compliance departments 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 14.
- SSE Governance arrangements, including those relating to JV and Partner Management.
- Dedicated project teams to manage all aspects of significant regulatory and legislative change.
- Regular engagement with the Board and Group Executive Committee on political and regulatory developments which may impact SSE's operations or strategy.

Developments this year

- While the likelihood of political and regulatory change occurring has increased due to uncertainty associated with potential outcomes of elections in the coming year, there is confidence that SSE's strategy is aligned with support for net zero shown by all political parties, therefore the impact of this risk has reduced, accounting for an overall reduction in risk trend.
- SSE has strong engagement with government and regulators resulting in strong support for net zero from all political parties.

Risk trend key:
Increased in materiality | Not changed significantly | Reduced in materiality | N New risk

Portfolio Exposure

Risk trend	What is the risk?
Not changed significantly	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.

Link to strategy	Oversight
	Group Risk Committee

Material influencing factors
- Global geopolitical events.
- Fluctuations in demand, supply and generation capacity and availability both in Great Britain and globally.
- 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.
- Stability and availability of supply chains.

Key mitigations
- Asset-by-asset approach to hedging strategy ensuring trading positions cannot have a material impact on SSE Group earnings.
- The Group Energy Markets Exposure Risk Committee has operational oversight of commodity positions; reporting to the Board Energy Markets Risk Committee that monitors the ongoing effectiveness of Group hedging arrangements. For further details please see pages 152 to 153.
- SSE uses VaR and PaR measures to monitor and control exposures. Trading limits are reviewed regularly by the Energy Markets Risk Committee, 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.
- Energy Markets can maximise and mitigate risks across the Group through leveraging the portfolio of Business Units.

Developments this year
- Counterparty risk exposure have reduced but remain high.
- This year while price volatility has reduced, ongoing geopolitical unrest, conflicts, upcoming elections and supply chain restrictions mean the potential return of increased volatility still remains.

Safety and the Environment

Risk trend	What is the risk?
Not changed significantly	The risk of harm to people, property or the environment from SSE's operations.

Link to strategy	Oversight
	Safety, Health & Environment Committee

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
- SSE Safety and Health Policy and SSE Environment Policy.
- Safety is the Group's number one value with Board oversight being provided by the Safety, Sustainability, Health and Environment Advisory Committee (SSHEAC).
- SSE has a 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.
- SSE Net Zero Transition Plan sets out the key actions SSE will take to drive progress towards its long term net zero ambitions.

Developments this year
- Total Recordable Injury Rate (TRIR) among direct employees of 0.07 matching the Company's best performance year.
- Slight increase in Total Recordable Injury Rate to 0.20 for direct employees and contract partners reflecting a significant surge in investment and construction activity, and the associated rise in contract partner hours worked.
- SSE has been rolling out an immersive training experience, to help colleagues and partners gain a deeper level of emotional connection when something goes wrong. The programme also includes building SSE's own centre, the Faskally Safety Leadership Training Centre in Scotland.
- SSE has partnered with the Lighthouse Construction Industry Charity (LCIC), a charity solely dedicated to the emotional, physical and financial wellbeing of construction workers and their families. Support includes a 24/7 Construction Industry Helpline offering a range of free and confidential wellbeing support services.

Link to strategy:
Develop | Operate | Build | Invest

Speed of Change

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

Link to strategy	Oversight
Develop, Operate, Build, Invest	Group Executive Committee

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, including AI.
- 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
- 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 135 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.

Developments this year
- A minor change has been made to the definition of Speed of Change Principal Risk acknowledging that change within SSE is now a constant that requires continuous adaptation and resilience to ensure strategic direction is maintained.
- Establishment of an internal cross-Group Innovation Advisory Council to identify promising new technologies relevant to clean energy and acts as a forum for SSE's Business Units to share knowledge.

Supply Chain

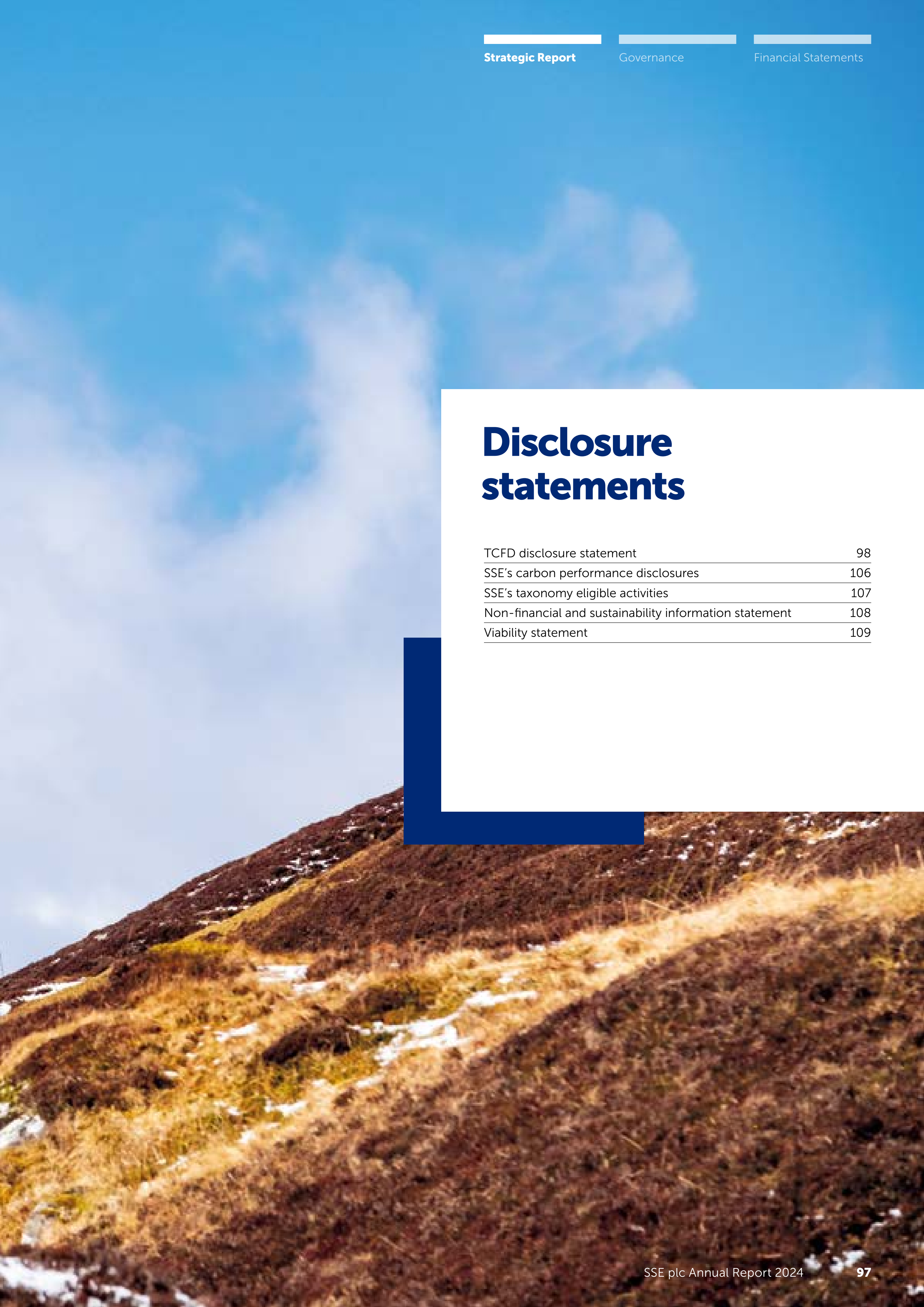
Risk trend	What is the risk?
N	The risk that SSE is unable to secure a viable, competent and sustainable supply chain to meet the growth required to deliver the strategy and NZAP Programme Plus.

Link to strategy	Oversight
Develop, Operate, Build, Invest	Group Risk Committee

Material influencing factors
- High global demand renewable and low carbon technology.
- Fluctuations in the cost of resources.
- Ensuring sustainable and ethical supply chains.
- Scarcity of critical raw materials.
- Identifying viable supply chains to meet development pipeline.
- Global financial markets impacting availability of capital and in-turn OEM & contractor liquidity.
- Shipping constraints restricting the movement of goods.
- Geopolitical factors requiring SSE to seek alternative suppliers from another jurisdiction.
- Shortage of skilled labour; availability and capacity of competent contractors in any jurisdiction in which SSE operates.

Key mitigations
- Group Procurement Policy.
- Supply chain partnering.
- Strategic supplier relationship management tailored for each Business Unit.
- Third party due diligence.
- Robust commercial terms in place.
- Category management surveillance of markets and environments to anticipate and develop proactive response to constraints e.g. pull-through demand, increase stocks, take greater control of shipping terms.
- Procurement and Commercial teams ensure effective demand management via dedicated business partners.

Developments this year
- Higher global demand for renewable technology, combined with rising commodity prices, has the potential to drive both increased costs and supply chain capacity constraints, leading to project feasibility implications or impacting delivery timescales.
- SSE published its Sustainable Procurement Plan detailing the ambition to pioneer sustainable and responsible procurement practices.
- Publication of SSE's Human Rights and Modern Slavery Statement setting out steps taken to identify and prevent human rights abuses and modern slavery existing within its business and supply chains.



Disclosure statements

TCFD disclosure statement

SSE's climate-related financial disclosures

This statement, along with the relevant disclosures throughout the Annual Report, summarise how SSE fulfils its requirements under relevant mandatory climate-related financial disclosures. SSE's business strategy is wholly focused on addressing the challenge of climate change through the decarbonisation of the power system. The consideration of climate-related opportunities and risks is, therefore, naturally embedded into its policies and practices. Considering this, SSE has integrated its climate-related disclosures throughout this Annual Report to give stakeholders a holistic understanding of how climate-related impacts are managed.

Mandated climate-related financial disclosure in the UK

SSE is compliant with the Financial Conduct Authority (FCA) listing rule LR 9.8.6 R(8) requiring organisations to report against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, recommended disclosures and the Annex and guidance (published 2021) in annual reports.

These disclosures also satisfy UK Mandatory Climate-related Financial Disclosure requirements under the Companies Act 2006 sections 414CA and 414CB.

Climate change has been considered in the preparation of the Group's Consolidated Financial Statements for the year ended 31 March 2024 on pages 199 to 309 and further information has been included in note 4.1(v) to the financial statements on pages 210 to 211.

Navigating SSE's climate-related disclosures

	TCFD recommended disclosures	SSE's summary position	More information can be found:
Governance	a) Describe the Board's oversight of climate-related risks and opportunities.	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.	**Governance** – Governance of climate-related matters page 115 – More on climate-related work in the year page 115 **Remuneration Committee Report** – Strategically aligned remuneration on page 160
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	There are clearly defined climate-related responsibilities assigned to SSE committees and key positions, including the Chief Executive and Chief Sustainability Officer.	**Governance** – Governance of climate-related matters page 115 – More on climate-related work in the year page 115 **Sustainability** – Ensuring accountability for sustainability page 26
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Opportunities relate to the role that SSE Renewables, SSEN Transmission, SSEN Distribution and SSE Thermal play in supporting the transition to net zero. Material risks 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.	**TCFD disclosure statement** – Assessing SSE's climate-related opportunities and risks pages 100 to 101 – Detailed opportunity and risk tables pages 102 to 105
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	SSE's net zero ambitions place climate action front and centre of its strategy. SSE's climate-related risks and opportunities are directly linked to its 2030 business goals and capital plans.	**Strategic report** – SSE's strategy, climate actions and capital plans pages 12 to 13 – Performance against 2030 goals page 25 – Our strategy pages 12 to 13 – SSE's taxonomy eligible activities page 107 **TCFD disclosure statement** – Assessing SSE's climate-related opportunities and risks pages 100 to 101 – Detailed opportunity and risk tables pages 102 to 105 **Financial Review** – Note 4.1(v) Impact of climate change and the transition to net zero, pages 210 to 211

	TCFD recommended disclosures	SSE's summary position	More information can be found:
Strategy continued	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Scenario analysis has assessed the resilience of SSE, its strategy and financial plans under a range of climate-related scenarios, including a 1.5°C, 2.5°C and 4°C temperature pathway.	**TCFD disclosure statement** – Scenario analysis page 101 – SSE's opportunities and risks pages 102 to 105 **Disclosure statement** – Viability statement page 109
Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks.	To identify and assess climate-related opportunities and risks, SSE conducts a specialist TCFD climate assessment that complements its Group Risk Management Framework.	**Risk** – Identifying and assessing climate opportunities and risks page 88 **Governance** – Audit Committee, Group Risk Committee, TCFD Steering Group and TCFD Working Group page 115 **TCFD disclosure statement** – Assessing SSE's climate-related opportunities and risks pages 100 to 101
	b) Describe the organisation's processes for managing climate-related risks.	SSE's System of Internal Control defines the policy, standards and governance for the management of all risks, including those relating to climate.	**Risk** – Managing climate opportunities and risks page 88 **TCFD disclosure statement** – Detailed opportunity and risk tables pages 102 to 105 **Governance** – Governance of climate-related matters page 115
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate change is a Group Principal Risk to SSE. Scenarios on physical climate risks form part of SSE's viability statement and climate-related influencing factors are considered across all relevant Group Principal Risks.	**Risk** – Integrated climate related risk assessment page 88 **Disclosure statement** – Viability statement page 109 **Governance** – Governance of climate-related matters page 115
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.	SSE uses its 2030 Business Goals, Net Zero Transition Plan, science-based carbon targets, and other metrics to measure and manage climate-related opportunities and risks.	**Strategic report** – Performance against 2030 goals page 25 **Sustainability** – SSE's Net Zero Transition Plan pathway page 28 – Measuring SSE's carbon performance pages 31 to 32 – Managing water use page 48 – Managing air emissions page 49 – SSE's energy consumption page 49 – Carbon pricing page 30 **Remuneration Committee Report** – PSP the measures for the 2024 pay award on page 169 to 170
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	SSE measures and discloses year-on-year carbon performance and progress against targets.	**Sustainability** – Measuring SSE's carbon performance pages 31 to 32 **Disclosure statement** – SSE's carbon performance disclosures page 106
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	SSE has long-term net zero ambitions which are supported by interim science-based targets on a 1.5°C pathway.	**Strategic report** – Performance against 2030 goals page 25 **Sustainability review** – SSE's performance against its science-based carbon targets page 31

Useful information

- Further information is presented in SSE's Net Zero Transition Plan, SSE's Net Zero Transition Report and SSE's Sustainability Report and can be found at sse.com/sustainability.
- For information on SSE's GHG emissions data and how it is produced, see SSE's GHG and Environmental Reporting Criteria 2024 at sse.com/sustainability.
- Information on SSE's CDP submission can be found at sse.com/sustainability.

Assessing SSE's climate-related opportunities and risks

SSE has a well-established approach to the identification of material climate-related opportunities and risks, which is informed by climate-scenario analysis. The results of this exercise are provided in the detailed opportunities and risks table on pages 102 to 105.

SSE's approach to climate scenario analysis

SSE undertakes an exercise to identify the material climate-related opportunities and risks every two years, or sooner if a material business change occurs, with the next due in the year to 31 March 2025.

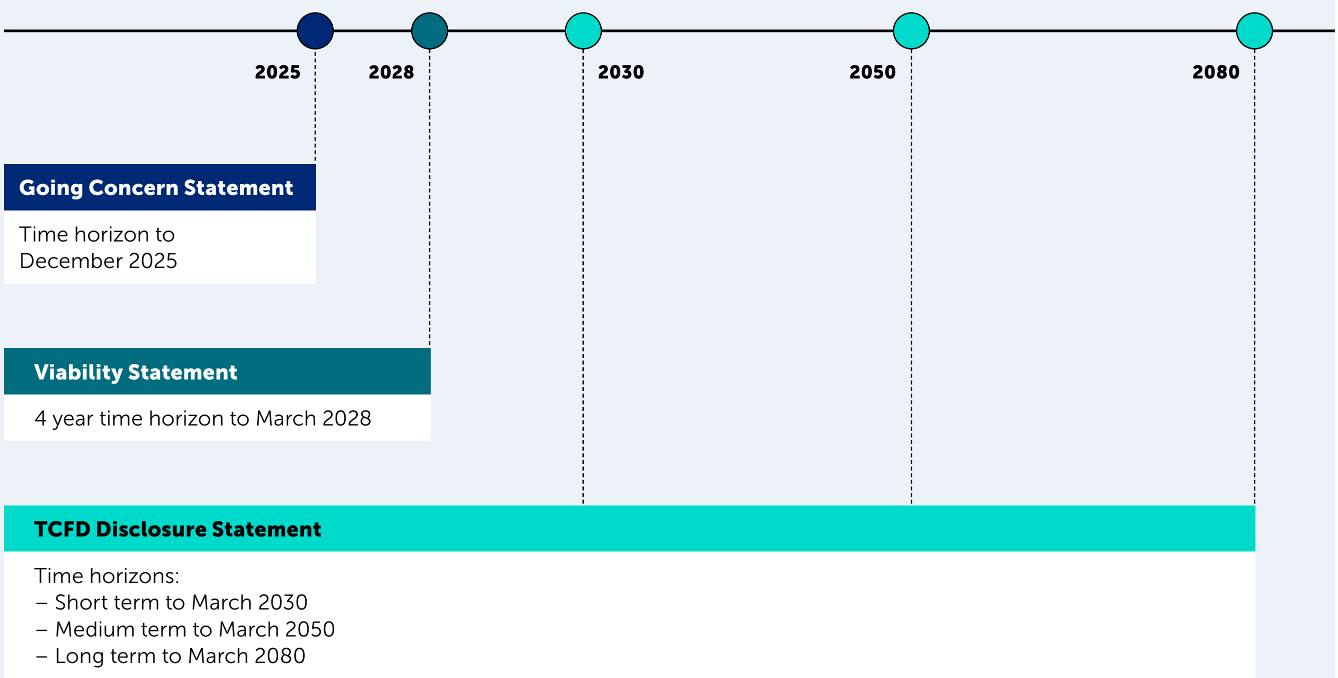
Each year, SSE reviews the scenario analysis process, incorporating updates from external scenario providers and relevant economic and political factors affecting the Group's operations. SSE currently assesses different scenarios with temperature outcomes of 1.5°C, 2.5°C and 4°C over time horizons to 2030, 2050 and 2080.

The financial impact change from the prior period provides an indication of the potential change in scenario analysis outcomes from the prior year's assessment, allowing SSE to assess and manage potential changes in risk exposures as part of the integrated Group Risk Management Framework and to provide strategic insights into potential changes in climate-related opportunities.

Time horizons for scenario analysis
SSE's time horizons for assessing climate-related opportunities and risks are aligned with its business practice time horizons. The three climate-related time horizons are chosen to align with the investment, capital and regulatory time horizons that govern SSE's financial, operational and capital plans. Figure 1 sets out the relationship between TCFD time horizons and SSE's Going Concern Statement and Viability Statement time horizons. SSE periodically reviews the appropriateness of these time horizons.

Assessing financial impacts of climate-related opportunities and risks
Climate-related opportunities and risks continue to be assessed relative to an operating profit measure, expressed as earnings before interest and tax (EBIT), with the exception of the accelerated gas closure risk which remains on a projected net present value basis. The scenario analysis used the financial quantification pathways along with internal and external data sources to quantify each of the material opportunities and risks under the different scenarios. Additional sensitivity analysis is also used to provide further insights into the impact of climate-related risks and opportunities on the Group's business operations.

Figure 1: SSE's Going Concern Statement, Viability Statement and TCFD time horizons



SSE's approach to scenario analysis

Material opportunities and risks
Identified through TCFD assessment prioritisation process

Impact pathways
Developed for each opportunity and risk, considering the business and financial impacts of possible climate-related events

Financial quantification pathways
Developed for each opportunity and risk, with identification of data points and external scenarios

Scenario selection
Relevant scenarios selected for each opportunity and risk, considering temperature outcomes, time horizons and other factors

Quantification
Using internal data and publicly available data from TCFD recommended providers

Assessment
Quantification output assessed, considering resilience of business model and strategy to the opportunities and risks across the time horizons and warming scenarios

Table 1: External models and scenarios used in SSE's climate scenario analysis 2023/24

Warming scenario	Transition scenarios	Physical scenarios
1.5°C	– International Energy Agency (IEA) World Energy Outlook 2023 Net Zero Emissions (NZE) by 2050 – National Grid 2023 Future Energy Scenarios (FES) Leading the Way & Consumer Transformation	– International Panel on Climate Change (IPCC) Representative Concentration Pathway – RCP 2.6 – UK Met Office Climate projections (UKCP18) tool
2.5°C	– IEA World Energy Outlook 2023 Stated Policies (STEPS) – National Grid 2023 FES Falling Short	
4°C		– IPCC Representative Concentration Pathway – RCP 8.5 – UK Met Office Climate projections (UKCP18) tool

Scenario selection and assumptions
Climate scenarios help assess how the impact of the opportunities and risks identified may change in different warming scenarios, however they are scenarios and not forecasts. The scenario analysis SSE performs extends beyond normal business forecasting cycles and beyond the operating life of the majority of the Group's assets.

External scenario datasets for each material opportunity and risk remain consistent with the prior year and were selected in relation to the relevant characteristics of each risk or opportunity.

SSE uses external scenarios from the IEA World Energy Outlook 2023, National Grid FES 2023, IPCC models and Met Office UK Climate projections in its scenario analysis modelling. The specific scenarios within these models and the warming scenarios they relate to are outlined in Table 1. The scenario inputs remain consistent with prior year, though have been updated for the latest data published by the relevant external provider.

Assessment of outcomes

The outcome of the updated scenario analysis work conducted in the year indicates that the material climate-related opportunities and risks remain generally stable when compared to the prior year's assessment. The following tables on pages 102 to 105 provide the detail of the assessment outcomes.

SSE considers that these outcomes do not alter its strategy or the key controls it uses to manage and mitigate climate risk. The refreshed scenario analysis confirms that SSE is resilient to the material climate-related risks, and is well placed to benefit from the material climate-related opportunities under each scenario pathway.

Detailed climate-related opportunity and risk tables

The following tables describe the key scenario and assumptions applied; the potential financial impact; the geographical and asset impact; the impact on the business strategy and mitigation; and the related 2030 Goal for each of the material climate-related opportunities and risks.

Transition opportunities

The potential financial impact of all scenarios for transition opportunities 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 scenario.

Financial impact change from prior period: ▲ Increase in financial impact of opportunity ■ Stable ▼ Decrease in financial impact of opportunity

Accelerated wind investment ▲

UK and International climate policies present an opportunity to invest in installed onshore and offshore wind generation capacity.

Geographical and asset impact
GB and Ireland, Southern Europe and Japanese wind farm portfolios.

Scenario inputs
- 2023 IEA NZE and STEPS scenarios for wind capacity;
- Electricity capacity projections for SSE's existing and pipeline wind portfolio;
- Internal projections of price adjustments arising in a renewables dominated electricity system.

Financial impact
Based on the scenarios, investment in wind assets at scale could result in significant increases to EBIT under both temperature scenarios and timeframes. The NZE scenarios utilised in the current year indicate lower growth in the 2030 timeline than the comparable scenario applied in the prior year. However, this is reflective of short-term delays to projects rather than a decline in the overall opportunity, with growth being rephased beyond 2030. By 2050 the growth opportunity is higher in the current year scenario than it was in the prior year and supports SSE's NZAP Plus plan to deliver its wind pipeline in line with a 1.5°C scenario.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	0.5 to 0.7	1.3 to 1.7
2.5°C	0.5 to 0.6	0.8 to 1.1

Strategy
SSE Renewables develops and generates onshore and offshore wind. SSE's NZAP Plus strategic investment programme targets up to 5GW of additional net capacity across the five years to 2027, the majority of which will come from onshore and offshore wind. This investment strategy aligns to the opportunities arising from a 1.5°C scenario.

Related 2030 Goal
Increase renewable energy output fivefold.

Accelerated transmission growth ▲

Increased renewable investment presents an opportunity to generate returns from required investment in SSEN's electricity transmission network.

Geographical and asset impact
SSEN Transmission network assets in the north of Scotland.

Scenario inputs
- 2023 FES Leading the Way and Falling Short scenarios for wind generation capacity;
- The projected share of renewable capacity connected to SSEN's network.

Financial impact
Based on scenarios, the opportunity to invest in the expansion of SSEN Transmission's network presents a potentially significant increase to EBIT. The outcomes indicate considerable growth in both scenarios in connected renewable capacity which continues out to 2050.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	0.4 to 0.6	1.3 to 1.7
2.5°C	0.2 to 0.3	0.9 to 1.2

Strategy
SSEN Transmission owns, operates, and develops the transmission network in the north of Scotland. The Electricity System Operator (ESO) 'Pathway to 2030' identified £5bn of further investment required in the north of Scotland Transmission network to enable the forecast growth in renewable electricity and support the UK offshore wind and net zero commitments. This is in addition to the Accelerated Transmission Investment (ASTI) to 2030. SSEN Transmission's growth is forecast to closely align with the 'Leading the way' climate scenario.

Related 2030 Goal
Enable low-carbon generation and demand.

Valuable flexible hydro

An increasing reliance on intermittent wind generation, presents an opportunity to invest in new low-carbon hydro assets that earn returns from flexible balancing of the electricity system.

Geographical and asset impact
Hydro assets in the north of Scotland.

Scenario inputs
- 2023 IEA NZE and STEPS scenarios for hydro generation;
- SSE's projected output from existing and pipeline hydro portfolio;
- Internal projections of price adjustments arising in a renewable dominated electricity system.

Financial impact
Based on these scenarios, the opportunity to provide flexible low-carbon hydro generation that balances intermittent electricity generation from wind assets has the potential to increase EBIT in the longer term, where SSE has an opportunity to build a new pumped storage asset. The outcomes indicate negligible growth in both scenarios in the short term, where activities are focused on optimising existing asset output and upgrades to existing assets.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	No impact	up to 0.2
2.5°C	No impact	0.1 to 0.2

Strategy
SSE Renewables operates and develops pumped hydro storage that provides flexible and dispatchable electricity. SSE seeks to invest in and upgrade its existing 1.5GW of hydro capacity as well as develop pumped storage capacity at Coire Glas as part of SSE's NZAP Plus programme. This investment strategy is aligned to the opportunities arising from a 1.5°C scenario.

Related 2030 Goal
Increase renewable energy output fivefold.

Valuable flexible thermal

Intermittent weather patterns present an opportunity to invest in low-carbon thermal assets that will generate returns from providing flexible capacity, security of supply, and price stability to the electricity system.

Geographical and asset impact
GB CCGTs (including investments in Joint Ventures) and Great Island CCGT in the Republic of Ireland.

Scenario inputs
- 2023 IEA NZE and STEPS scenarios for CCUS and Hydrogen generation;
- SSE's projected output from its pipeline of low-carbon thermal generation assets.

Financial impact
The opportunity to repurpose SSE's existing CCGTs and to invest in new low-carbon thermal generation assets has the potential to increase EBIT in the longer term. The outcomes indicate more growth in low-carbon thermal generation in the longer term scenarios.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	Up to 0.2	0.8 to 1.1
2.5°C	No impact	0.2 to 0.3

Strategy
SSE Thermal owns and operates conventional flexible thermal generation and energy storage assets in GB and Ireland. These assets are providing critical flexibility to offset renewables variability as the energy system transitions to net zero. SSE is actively developing options to decarbonise its fleet, including 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.

Related 2030 Goal
Cut carbon intensity by 80%.

Driving distribution transformation

UK climate policy presents an opportunity for the transformation of SSEN Distribution's networks to meet the potential five- to ten-fold increase in consumer demand.

Geographical and asset impact
SSEN Distribution network assets in the north of Scotland and central southern England.

Scenario inputs
- 2023 FES Consumer Transformation and Falling Short scenarios for electricity consumer demand;
- SSE's projected electricity distributed on the existing and pipeline network.

Financial impact
Increased expansion of SSEN Distribution's network has the potential to increase EBIT in the longer term. The outcomes indicate considerable growth in consumer demand in the UK, with more significant growth in the 1.5°C scenario.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	Up to 0.1	0.3 to 0.4
2.5°C	Up to 0.1	0.2 to 0.3

Strategy
SSEN Distribution is the distribution network operator for central southern England and the north of Scotland and a key enabler of the local and national transition to a net zero future. While its RIIO-ED2 business plan 2023-2028 sets out the flexibility and network investment required to accelerate net zero, preparations are being made for the next set of investments expected to be required in the next price control period from 2028-2033. This investment strategy aligns to the opportunities arising from a 1.5°C scenario.

Related 2030 Goal
Enable low-carbon generation and demand.

Transition risks

The potential financial impact for the accelerated gas closure transition risk is stated in GBP billion (£bn) based on projected Net Present Value for each gas-fired power station. The potential financial impact of the wind generation price risks is stated in GBP billion (£bn) based on one-year annualised earnings before interest and tax (EBIT) and presented as a range to reflect risk applied to the scenario.

Financial impact change from prior period: Increase in financial impact of risk | Stable | Decrease in financial impact of risk

Accelerated gas closure

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

Geographical and asset impact
GB CCGTs (including investments in Joint Ventures) and Great Island CCGT in the Republic of Ireland.

Scenario inputs
- 2023 FES Leading the Way and Falling Short for Installed unabated natural gas;
- SSE's in scope CCGT assets with useful economic lives (UELs) ending post 2030.

Financial impact
Early closure of unabated gas generation may expose SSE to potential lost EBIT post 2030 for in scope CCGTs. The outcomes of both scenarios indicate a decline in installed unabated natural gas, with the Leading the Way scenario ceasing from 2035 onwards.

Scenario	2030 (£bn)
1.5°C	(0.4) to (0.6)
2.5°C	(0.2) to (0.3)

Mitigations
SSE Thermal assets are providing critical flexibility to offset renewables variability as the energy system transitions to net zero. SSE recognises the critical need for sufficient generation capacity in GB in the early 2030s to meet demand. To deliver low-carbon flexibility in the power system, SSE needs access to the necessary carbon capture and storage and hydrogen infrastructure. SSE is actively developing options to align with the deployment of, and plug into, this infrastructure. It is also developing projects which are being designed to run on 100% hydrogen and natural gas, if there is a system and security of supply need. SSE has set criteria to assess which projects should be progressed through planning and design stages on this basis to mitigate the risk of carbon lock-in and/or phase of out of unabated gas.

Related 2030 Goal
Cut carbon intensity by 80%.

Wind generation price

As an increasing number of renewables projects are commissioned to meet net zero targets, it is expected that the average price for wind-generated electricity, known as the wind capture price, will decline.

Geographical and asset impact
GB and Ireland, Southern Europe and Japanese wind farm assets with no revenue support contracts (e.g. contracts for difference).

Scenario inputs
- 2023 IEA NZE and STEPS scenarios for wind generation;
- SSE's projected merchant wind output from existing and pipeline wind portfolio;
- Internal projections of price adjustments arising in a renewable dominated electricity system.

Financial impact
Increased wind generation capacity will likely result in the wind capture price being lower than the baseload price in the future for non-contracted assets. The outcomes of both scenarios indicate considerable growth in total wind generation and a subsequent impact to the achievable price for wind assets. This is most evident in the 1.5°C 2050 scenario where total wind generation growth is forecast to be highest.

Scenario	2030 (£bn)	2050 (£bn)
1.5°C	(0.1) to (0.2)	(0.4) to (0.6)
2.5°C	up to (0.1)	up to (0.2)

Mitigations
SSE's balanced portfolio of generation capacity (across wind, hydro, solar, battery and thermal), power hedging strategies and inclusion of wind capture price into its long-term price forecasts are key to the mitigation of future low wind prices.

Related 2030 Goal
Increase renewable energy output fivefold.

Physical risks

The potential financial impact of all scenarios for physical risks 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 scenario.

Financial impact change from prior period: ▲ Increase in financial impact of risk ■ Stable ▼ Decrease in financial impact of risk

Variable renewable generation ■

Climate change models predict sustained higher temperatures in the future that may translate to lower rainfall and lower average wind speeds. These predictions could result in lower renewable electricity generation and a fall in earnings.

Geographical and asset impact
GB and Ireland; Southern Europe; and Japanese wind farm portfolios; and hydro assets in the north of Scotland.

Scenario inputs
- 2023 IEA NZE scenario for wind generation;
- UK Met Office climate projections (UK CP18) tool aligned to IPCC RCPs 2.6 & 8.5 for average wind speeds;
- Projected output of SSE's existing and pipeline wind portfolio.

Financial impact
Predicted lower wind speeds and rainfall levels have the potential to reduce renewable electricity generation and related EBIT. The outcomes of both scenarios indicate a marginal decline in wind speeds and rainfall along with significant growth in wind generation.

Scenario	2050 (£bn)	2080 (£bn)
1.5°C	(0.1) to (0.2)	up to (0.2)
4°C	(0.1) to (0.2)	(0.2) to (0.3)

Mitigations
SSE continues to review climate projections using the Met Office UK Climate Projection (UKCP18) to understand the potential impact on renewable generation assets and infrastructure. 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.

Related 2030 Goal
Increase renewable energy output fivefold.

Extreme weather network damage ■

Increased frequency and intensity of storm events may cause physical damage to SSEN Distribution's network assets and result in supply issues to customers.

Geographical and asset impact
SSEN Distribution network assets in the north of Scotland and central southern England.

Scenario inputs
- 2023 FES scenarios for consumer demand;
- UK Met Office climate projections (UK CP18) tool aligned to IPCC RCPs 2.6 & 8.5 for average winter wind speeds and mean summer temperature;
- Storm and heat costs to SSE's existing and pipeline network assets.

Financial impact
This risk has the potential to cause physical damage to network assets, increasing repair and maintenance costs and cause disruption of supply to customers, increasing exposure to regulator penalties and reputational issues, negatively impacting EBIT. The outcomes of both scenarios indicate a marginal decline in wind speeds and an increase in average temperatures along with significant growth in the electrification of the system. Although uncertainty in climate models prevails, particularly for wind storms, SSE considers adverse weather to be a material risk, particularly in relation to customers. In the financial year to 31 March 2024, SSE experienced 10 UK Met Office named storms which had an impact on customers and network assets.

Scenario	2050 (£bn)	2080 (£bn)
1.5°C	up to (0.1)	(0.1) to (0.2)
4°C	up to (0.1)	(0.1) to (0.2)

Mitigations
SSE has mitigation methods in place, such as monitoring short- and long-term weather patterns, crisis management and business continuity plans and investment programmes to improve infrastructure resilience. SSEN Distribution has set out resilience strategies with climate adaptation actions in its current price control business plan.

Related 2030 Goal
Enable low-carbon generation and demand.

SSE's carbon performance disclosures

The table on this page, in combination with the energy use information in Table 7 on page 49, represents SSE's disclosures in line with the UK Government Streamlined Energy and Carbon Reporting requirements. SSE takes an operational control consolidation approach to define its organisational boundary for GHG emissions.

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.

SSE's GHG inventory is prepared in accordance with the UK Government's environmental reporting guidelines (BEIS, March 2019); aligned to 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 Environmental Reporting Criteria 2024 available at sse.com/sustainability.

Table 2: SSE's carbon performance

		Unit	2023/24	2022/23
Total reported GHG emissions		**$MtCO_2e$**	**9.27**	**11.33[b]**
Scope 1 GHG emissions	Total	$MtCO_2e$	4.34[a]	6.08[b]
	UK/Ireland	$MtCO_2e$	(3.64/0.70)	(5.35/0.73)
Scope 2 GHG emissions[1]	Total	$MtCO_2e$	0.47[a]	0.44[b]
	UK/Ireland	$MtCO_2e$	(0.47/<0.01)	(0.44/<0.01)
Scope 3 GHG emissions[2] (Categories 3, 4, 9, 11 and 15 only)	Total	$MtCO_2e$	4.46[a]	4.81[b]
	UK/Ireland	$MtCO_2e$	(3.73/0.73)	(4.12/0.69)
Scope 1 GHG emissions intensity	Total	gCO_2e/kWh	205.0[a]	254[b]
Renewable generation output[3]	Total	GWh	10,004	9,665
	UK/Ireland	GWh	(8,652/1,352)	(8,308/1,357)
Non-renewable generation output[4]	Total	GWh	11,159	14,302
	UK/Ireland	GWh	(9,509/1,650)	(12,770/1,532)
Generation output	Total	GWh	21,164	23,967
	UK/Ireland	GWh	(18,162/3,002)	(21,078/2,889)

(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 Environmental Reporting Criteria 2024 on sse.com/sustainability.

(b) This data was previously reported in the SSE plc Sustainability Report 2023 where it was 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.

1 SSE Scope 2 emissions are calculated using the location-based method described in the Greenhouse Gas Protocol.

2 SSE Scope 3 GHG emissions reported consist of Category 11 – Use of Sold Products (Gas Sold) of 2.01 $MtCO_2e$ [A]; Category 15 – Investments (Joint Venture investments); Category 3 – Fuel- and Energy-Related Activities; Category 9 – Downstream Transportation and Distribution; Category 4 – Upstream Transportation and Distribution; and Category 6 – Business Travel. Category 1 – Purchased Goods & Services and Category 2 – Capital Goods are excluded as SSE continues to develop and refine its accounting approach to calculate these figures to an acceptable level of accuracy.

3 Total includes pumped storage and biomass output and excludes constrained-off wind in Great Britain.

4 Total excludes output from joint venture power stations where SSE does not have operational control (Seabank Power Limited and Triton Power Limited), and includes 100% of output from joint venture power stations where SSE has full operational control under Power Purchase Agreements (Marchwood Power Limited).

SSE's taxonomy eligible activities

Key strategic activities (i.e. onshore wind, offshore wind, transmission, distribution) from SSE's Reporting Segments were voluntarily 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 3 provides the output from this principle-based assessment of SSE's taxonomy aligned activities.

Taxonomy eligible and aligned activities in 2023/24 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. The taxonomy eligible but not aligned 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 as eligible and aligned activities. 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 are considered taxonomy-non-eligible. They comprise SSE's Business Energy, Airtricity, Energy Markets, Enterprise and Corporate businesses. These activities either operate as customer-focused businesses, a route to market for generation, or do not contain material activities at this time.

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 aligned 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 aligned. Using this principle, revenue and operating profits from SSE's balancing activities, hedging, and trading can be linked to the EU taxonomy-eligible aligned activities when the activity is undertaken to directly support the eligible aligned activities.

Proxies
Where financial results are not appropriately split into taxonomy eligible activities (namely Energy Markets 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 3: Assessment of SSE's taxonomy aligned activities

		Revenue (b)		Adjusted operating profit (c)		Adjusted investment and capital expenditure (d)	
SSE's reported segments (a)	Taxonomy eligible activity (a)	£m	%	£m	%	£m	%
SSEN Transmission	Transmission of electricity	885.2	8.5	419.3	17.3	595.6	24.0
SSEN Distribution	Distribution of electricity	1,004.0	9.6	272.1	11.2	505.1	20.4
SSE Renewables	Electricity generation	335.5	3.2	833.1	34.4	1,097.1	44.3
SSE Energy Markets	As route to market for SSE Renewables	1,043.8	10.0	46.7	2.0	2.1	0.1
Total taxonomy-eligible aligned activities		**3,268.5**	**31.3**	**1,571.2**	**64.9**	**2,199.9**	**88.8**
SSE Thermal	Electricity generation from fossil gaseous fuels	571.0	5.5	736.1	30.4	99.6	4.0
Gas Storage	Storage of hydrogen	11.2	0.1	82.8	3.4	0.8	–
SSE Energy Markets	As route to market for SSE Thermal	1,245.4	11.9	(6.3)	(0.3)	2.1	0.1
Total taxonomy-eligible not aligned activities		**1,827.6**	**17.5**	**812.6**	**33.5**	**102.5**	**4.1**
GB Business Energy		3,183.2	30.4	95.8	3.9	43.7	1.8
SSE Airtricity		2,021.2	19.3	95.0	3.9	14.8	0.6
SSE Energy Markets		–	–	(1.5)	(0.1)	4.4	0.2
SSE Enterprise		91.9	0.9	(25.6)	(1.1)	51.0	2.1
Corporate unallocated		64.8	0.6	(121.1)	(5.0)	60.4	2.4
Total taxonomy-non-eligible activities		**5,361.1**	**51.2**	**42.6**	**1.6**	**174.3**	**7.1**
Total continuing operations		**10,457.2**	**100.0**	**2,426.4**	**100.0**	**2,476.7**	**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.(i)**).
(c) Adjusted operating profit/loss: calculated as adjusted operating profit/loss related to the businesses aligned with the taxonomy categories (see **note 5.1.(ii)**).
(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.(iii)**).

Non-financial and sustainability information statement

SSE reports extensively on its non-financial impacts within its Annual Report and welcomes continued increasing focus from regulators, shareholders and other stakeholders. This table outlines how SSE meets the Non-financial Information and Sustainability reporting requirements contained within the Companies Act 2006. For more information on SSE's business model in Section 414CB (2)(a) see pages 6 to 7. Further disclosure can also be found in SSE's Sustainability Report 2024.

Reporting requirement and SSE's material areas of impact	Relevant Group Principal Risks, pages 87 to 93	Relevant Group Policies on sse.com	Policy embedding, due diligence, outcomes and key performance indicators
Climate matters – Delivering net zero – Managing climate- related issues – Carbon performance, metrics and targets – Climate-related financial disclosures	Climate Change	Group Climate Change Policy	2030 Goals progress, page 25 Our strategy in action, pages 16 to 19 Advancing climate action, pages 28 to 32 TCFD disclosure statement, pages 98 to 105
Environmental matters – Responsible resource use – water and energy use, air emissions – Managing impacts on the natural environment and biodiversity	Safety and the Environment	Group Environment Policy	Protecting and restoring the natural environment, pages 46 to 49 Safety, Sustainability, Health and Environment Advisory Committee Report, pages 154 to 157
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, page 25 Powering a just transition, pages 38 to 39 Reinforcing a healthy business culture, page 40 Valuing the employee voice, page 40 Safety, Sustainability, Health and Environment Advisory Committee Report, pages 154 to 157
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, page 25 Powering a just transition, pages 38 to 39
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	People and Culture Large Capital Projects Management	Group Human Rights Policy Group Corruption and Financial Crime Prevention Policy Group Whistleblowing Policy	Creating social and economic value, pages 39 to 40 Reinforcing a healthy business culture page 40

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 2028. The Directors have determined that as this time horizon aligns with the financial planning period, 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 below:

	£bn	Matures	Comment
SSE plc	1.30	March 2026	
SSE plc	0.20	October 2026	
SSE plc	1.00	February 2025	Collateral facility
SSEN Transmission[1]	0.75	November 2026	1 year extension option (in favour of the Group)
SSEN Distribution	0.25	November 2026	1 year extension option (in favour of the Group)
	3.50		

1 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 £4.1bn of funding since April 2021 including the issuance of a €750m bond in September 2023 and a £500m bond in January 2024. 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 recent disposals including the 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 impacting 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 2028.

Powering sustainable growth

Leading

We're a leading builder of world-class renewables assets – unlocking a cleaner, more secure and more affordable energy system.

Discover how we're **powering sustainable growth**

Governance

Chair's introduction

Overseeing sustainable action

Our established approach to corporate governance has continued to provide sharp focus to SSE's performance and long-term direction; ensuring the outcomes of Board work promote a sustainable future for the Company and value for key stakeholders.

Annual General Meeting (AGM) 2024

SSE's AGM will take place on 18 July 2024. To allow full shareholder participation we have retained a hybrid meeting format, with the Notice of AGM setting out the options to join. With my fellow Board members, I look forward to speaking and answering your questions in person and over virtual channels on the day.

SSE's role in society is embedded across our purpose, vision and strategy, which form the backdrop for all of the Board's considerations. We maintain an active process to assess evolving environmental, political, regulatory and market developments in order to incorporate them into our discussions and decisions. The purpose of this governance report is to provide an account of the information we have reviewed and demonstrate how our actions underpin SSE's long-term success.

Focused on delivery

The Net Zero Acceleration Programme (NZAP) Plus sets out SSE's medium-term investment plans. Since initial approval in November 2021, we have reviewed and refined the targets, resulting in two upgrades in May and November 2023. The current projections for fully-funded £20.5bn of capital investment to 2027 confirms additional growth prospects, particularly in our regulated networks business.

Meeting our targets requires a clear view of project delivery, and strategic work has therefore continued to include detailed progress updates and oversight of Business Unit pipelines. This is achieved through monthly executive reports, a quarterly NZAP Plus tracker and project-specific sessions.

Driving discipline

We maintain discipline in our capital allocation by reviewing our investment criteria to reflect changing macroeconomic conditions. Within a wider framework of controls, these practices have contributed to delivery of our financial objectives and achievement of significant milestones in the year despite the headwinds described in the Strategic Report.

Strategic progress and discipline are pursued through a dynamic approach to appraising risk, and we have taken a number of supporting actions in the year. Reporting has been refined within business and strategic updates to provide a consistent assessment of the risk profile for each business area; we have identified a new supply chain Principal Risk due to the supply chain's role as a key enabler for the NZAP Plus; and we are evolving the practical application of our Risk Appetite across key decision making. This sits within a broader package of work to continually develop our existing risk management framework.

In relation to our energy markets activities, we have updated the controls overseen by the Energy Markets Risk Committee aligned to volatility and opportunity within dynamic energy markets, while maintaining an acceptable overall risk exposure for the Group.

Supported by our stakeholders

To fully understand the impacts of the decisions we take – on people and the planet – we work constructively with our stakeholders. Through a combination of direct and indirect engagement we remain informed of material issues and priorities.

Across the year, activity has taken place on a global scale and at a local level. There have been discussions with shareholders covering strategy, performance, sustainability, and governance. Work with policymakers has been shaped by clear advocacy priorities and included representation at COP28, and sessions on domestic frameworks and the reform required to ensure a secure and affordable energy transition. Across the supply chain, we have reviewed the approach to securing capacity for future projects, supporting local investment, and collaborating on environmental and social issues. For the communities and customers we serve, focus remains on creating positive benefits and assisting with the reliable provision of essential and energy efficient services.

The effect of climate change on SSE is linked to all areas of Board work. The issue has an impact on the technologies we deploy and the investments we are making all reflect the realities of a warming world. We have also overseen a response to an increased number of storm events, particularly within the distribution business. Our actions to mitigate the ongoing climate emergency are illustrated across our science-based targets, 2030 Goals, and Net Zero and Just Transition Plans.

A safe and ethical culture

SSE is a product of the people who work for and with us, and their safety is at the top of every Board agenda. The Safety, Sustainability, Health and Environment Advisory Committee has an unwavering focus on the risks associated with our operations and construction work, including how these may continue to evolve as the NZAP Plus is delivered.

Although performance for direct employees was as good as it has ever been, it was overshadowed by the loss of Richard Ellis, the employee of a contract partner. The increase in contractor injuries, and the initiatives implemented to improve safety performance among our partners, have been directly reported at Board level. We remain committed to improving our safety performance across our entire workforce.

Safety is just one pillar of our culture, which has six values at its core: Safety, Service, Excellence, Sustainability, Efficiency and Teamwork. A biannual health-check guides monitoring and shaping of cultural plans, and drives improvements in areas identified by a range of employee listening activities. As part of this, in November 2023, we found that while the values resonate with employees, there could be greater clarity in the way we talk about them. We responded by approving refreshed descriptors that now better reflect our unified view of culture.

Direct interaction with the workforce offers clear feedback on how people feel connected to, and supported by, SSE. This is a full Board activity and is enriched by the structured programme of work carried out by Lady Elish Angiolini, our non-Executive Director for Employee Engagement. With a proportion of our engagement occurring across site visits, we maintain a deep appreciation of SSE's diverse working environments and overall employee experience, which adds perspective to the wide range of employee data we review, including our all-employee survey which received an 88% response rate.

I am pleased we were able to maintain our conversations, and in line with employee feedback, will continue to explore the themes of contributing to net zero, SSE's ethical and inclusive business culture, and ways of working.

Developing a strong Board

The appraisal of our performance was again facilitated by Lintstock, being the second follow-up review since our external evaluation in 2021/22. Our objective to continuously improve has identified focus areas for the coming months, with an overall finding that the Board operates very effectively. An external evaluation will take place in 2024/25 and we will engage an independent reviewer to carry out this process.

The composition of the Board is carefully assessed to provide relevant skills and strong leadership which is tailored to SSE's needs. In line with succession plans, and as previously reported, a number of changes were successfully completed in the year.

On 20 July 2023, Peter Lynas stepped down after nine years tenure, and was succeeded by John Bason in the role of Audit Committee Chair. This was followed on 1 September 2023 by Maarten Wetselaar joining as a non-Executive Director – an appointment which extended our energy markets and international experience at Board level.

After 32 years with the Company and 21 years as Finance Director, Gregor Alexander stepped down on 1 December 2023. As announced last year, we were delighted to welcome Barry O'Regan as Gregor's successor in the role of Chief Financial Officer.

On behalf of the Board, I would like to thank Peter Lynas for his non-Executive service, and Gregor Alexander for his commitment to the financial leadership of SSE over his tenure. We wish both every success for the future, including Gregor's continued role as Chair of the SSEN Transmission Board.

We also welcomed Liz Tanner, who assumed the role of Company Secretary, in addition to her existing position as Group General Counsel, upon the retirement of Sally Fairbairn on 1 August 2023.

We believe the above changes support the depth and breadth of expertise on the Board, but we remain committed to measuring balance holistically across a number of diversity measures. Female representation is 42% of membership and we have ethnic minority representation in line with the recommendations of the Parker Review. Following the appointment of Helen Mahy to the position of Senior Independent Director on 1 November 2023 we now also fully align with the voluntary Board recommendations within the FTSE Women Leaders Review.

Governance milestones

We welcomed the publication of the UK Corporate Governance Code 2024 by the Financial Reporting Council following engagement in the consultation process. The impact of the final changes has been reported at Board level and we will oversee work to respond in a proportionate way.

I hope the following account of Board work conveys and demonstrates our commitment to meaningful governance.

Sir John Manzoni
Chair, SSE plc

21 May 2024

Governance at a glance

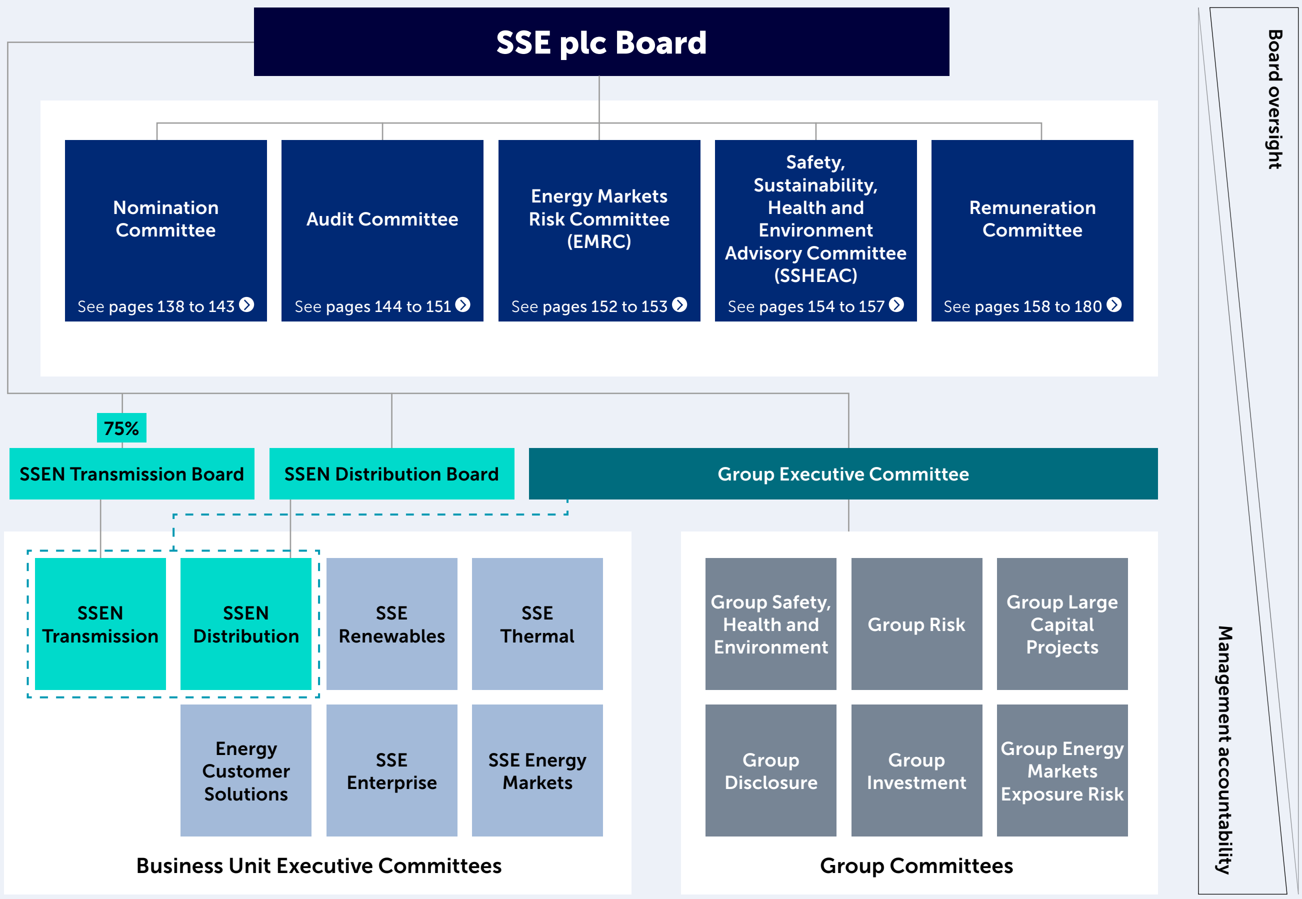
Approach to reporting

The objective of this report is to demonstrate the Board's approach to corporate governance within SSE, which is underpinned by continued reporting against the UK Corporate Governance Code 2018. To allow clear assessment of how the Code's Principles have been applied, a Compliance Statement is set out on **pages 181 to 183**. This confirms where relevant information is located across the Annual Report and details adherence to the Code Provisions.

The aim of the disclosures outside of the Compliance Statement is to provide an account of Board and Board Committee work across the year, including outcomes of considerations and decision making.

To support this intent, the report has been restructured around the thematic areas the Board has reviewed in the year and the material stakeholder factors which have been integrated across discussions.

SSE's Governance Framework



SSE's Governance Framework

SSE's Governance Framework is set out above and is led by the Board, whose primary responsibility is to ensure the long-term success of SSE. This is achieved through setting SSE's purpose, vision and strategy, and the parameters in which culture is set and monitored and risk assessed and managed.

The Governance Framework confirms the primary forums which have delegated authority and accountability, on behalf of the Board, for aspects of SSE's operations. Its design is specific to SSE's business areas, risk profile and operating context, as illustrated by the presence of certain Committees, which have been agreed by the Board, in addition to those required by a listed company.

The agreed roles and responsibilities of each Committee are formally set out in Terms of Reference and support decision-making and oversight at all levels within SSE. Separately, the Board retains a Schedule of Reserved Matters for its own decision.

An overview of what is unique across the different levels of SSE's Governance Framework is as follows.

Board Committees. The Board is directly supported by five Board Committees who each provide a separate report on pages 138 to 180. Unique to SSE are the Energy Markets Risk Committee (EMRC) and Safety, Sustainability, Health and Environment Advisory Committee (SSHEAC). The EMRC reviews the governance to support SSE's energy market trading activities and associated risk exposures, with the SSHEAC providing dedicated support and challenge to SSE's strategy, initiatives and performance on safety, sustainability, health, and environment matters.

Group Executive Committee. The Group Executive Committee is responsible for the implementation of SSE's strategy and day-to-day operations through its oversight of business performance and delivery. It is responsible for the executive management of SSE's Business Units and corporate support services, and is led by SSE's Chief Executive. The full membership of the Group Executive Committee can be found on page 121.

Regulated networks. Dedicated Boards oversee the strategy, performance and regulatory approvals required under the electricity network licences held by SSE's regulated networks companies. In line with the applicable licence conditions, Board membership comprises a combination of Executive Directors and sufficiently independent non-Executive Directors. Each of the Transmission and Distribution Executive Committees report directly to the relevant dedicated oversight Board with an information flow to the Group Executive Committee where appropriate, and where no business separation concerns apply.

Business Unit Executive Committees. Seven Business Unit Executive Committees lead the delivery of Business Unit strategy, performance, and targets aligned with Board-set objectives. More on each Business Unit can be found on pages 68 to 83.

Group Committees. Six Group Committees develop and recommend policy, controls and frameworks for areas material to SSE as a whole. They work with SSE's Business Units and report to the Group Executive Committee.

More on SSE's Governance Framework and supporting governance practices can be found in the UK Corporate Governance Code Compliance Statement on pages 181 to 183

Governance of climate-related matters

Given the alignment of SSE's purpose, vision and strategy with net zero, the physical and transitional risks and opportunities associated with climate change are embedded across multiple areas of Board, Committee and senior leadership work within SSE; with the assessment of SSE's position set against the possible pathways to a low-carbon future. Disclosure of how the Board oversees climate-related risks and opportunities is therefore present throughout this report.

To ensure climate considerations are firmly integrated within SSE's Governance Framework, agreed roles and responsibilities are set out in writing at a Committee and individual level. These can be found in the Board's Schedule of Reserved Matters, Committee Terms of Reference, and the division of responsibilities across Board roles.

An overview of these roles and responsibilities is set out below.

Board. The Board reviews and approves priorities surrounding SSE's material sustainability impacts including in relation to climate change. These priorities are integrated into decision-making parameters and frameworks to ensure actions are sustainable in the long term and the approach to climate change is addressed through work on strategy, operations, and risk. The Board further sets SSE's Group Sustainability and Climate Change Policies and approves climate-related financial disclosures.

Audit Committee, Group Risk Committee, TCFD Steering Group and TCFD Working Group. These forums govern the different stages of production, development, review, and assurance of SSE's climate-related financial disclosures. Recommendations are made to the Board as to whether they are fair, balanced and understandable, with the Audit Committee further considering the impact of climate change on SSE's financial statements.

Nomination Committee. The Nomination Committee considers the skills and experience the Board needs to support assessment of SSE's operating context, which includes the impact of a climate change on SSE's position now and in the future.

SSHEAC. The SSHEAC oversees the implementation of key SSE Group Policies, including in relation to environmental and climate adaptation matters.

Remuneration Committee. The Remuneration Committee agrees the integration of climate factors within SSE's policy on executive remuneration.

Group Executive Committee. The Group Executive Committee identifies SSE's material sustainability impacts and oversees implementation and delivery of supporting strategy. This includes the management of climate interventions, targets and plans set by each of SSE's Business Units and relevant corporate functions.

Chief Sustainability Officer. SSE's Chief Sustainability Officer reports to the Chief Executive and advises senior management and relevant Committees on climate-related matters.

More on climate-related work in the year

- Climate expertise within Board skills on pages 116 to 120.
- Board work on setting strategy and the parameters for delivery on pages 123 to 125.
- A top-down approach to sustainability on page 126.
- Audit Committee work on climate-related financial disclosures on page 146.
- SSHEAC work on sustainability and environment, social and governance matters on page 156.
- Remuneration Committee approach to executive pay on pages 168 and 170.

Board of Directors

Sir John Manzoni
Chair

Committee membership

N E S R

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

Career and experience
Sir John has wide-ranging experience across the energy industry and private and public sectors. Through a 24-year career at BP he held a number of senior roles including Chief Executive, Refining and Marketing and 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 was 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 relevant to the SSE Board
- Dynamic and engaging leader with diverse perspectives from multiple sectors, organisational settings and geographies.
- Experienced in the governance of large-scale business operations, leading reform, the management of complex projects and driving business performance.
- Strong communicator with insight into the management and development of stakeholder relations.
- Working knowledge of energy regulation, government and policy considerations which underpin achieving net zero.
- Brings sharp focus to people leadership, succession planning and inclusion and diversity.

Key external appointments
- Non-Executive Director and Chair designate of Diageo plc.
- Chair of the Atomic Weapons Establishment.
- Non-Executive Director of KBR Inc.

Alistair Phillips-Davies
Chief Executive

Committee membership

Date of appointment
Executive Director since January 2002 and Chief Executive from July 2013

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 Chair of the SSEN Distribution Board, a fellow of the Energy Institute and a chartered accountant.

Skills relevant to the SSE Board
- Sound executive leadership and a considered approach to strategy; central to the delivery of the Net Zero Acceleration Programme Plus and SSE's sustainability plans and targets.
- Broad knowledge of the energy markets in Great Britain and Ireland and across Europe.
- Proactive understanding of SSE's stakeholder priorities.
- 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
- Non-Executive Director of Anglian Water Services Limited.
- Member of the Scottish Energy Advisory Board.
- Member of the UK Government's Hydrogen Delivery Council.
- Member of the Net Zero Council.
- Business Fellow at Smith School for Enterprise and Environment.

Barry O'Regan
Chief Financial Officer

Committee membership

E

Date of appointment
Executive Director and Chief Financial Officer since December 2023

Career and experience
Barry joined SSE in 2008 and became Chief Financial Officer in December 2023. Prior to becoming Chief Financial Officer, Barry was Finance Director for SSE Renewables as well as having responsibility for corporate finance across the whole of the SSE Group. In his previous role of Director of Treasury and Corporate Finance he oversaw group funding and treasury operations. He is a chartered accountant and trained with PwC in Dublin before joining Airtricity in 2005.

Skills relevant to the SSE Board
- Financial expert with 19 years of energy value chain knowledge, driving the disciplined delivery of SSE's capital investment and growth plans.
- Skilled in the development of financial strategy, which has been integral to the reshaping of SSE over the last decade.
- Experienced in leading corporate financial projects and teams, covering corporate modelling, funding strategy and debt issuance.
- Active understanding of investment community views.
- Supports SSE's approach to partnering, having served on joint venture boards.

Key external appointments
- None

Key for Board Committees

N Nomination Committee	A Audit Committee	E Energy Markets Risk Committee
S Safety, Sustainability, Health and Environment Advisory Committee	R Remuneration Committee	○ Committee Chair

Martin Pibworth
Chief Commercial Officer

Committee membership

E S

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

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, this was expanded to Group Energy and Commercial Director in November 2020, and re-titled Chief Commercial Officer in March 2022.

Skills relevant to the SSE Board
- Literacy in complex energy and commodity markets, supported by technical and operational expertise.
- End-to-end experience in large capital projects including joint venture engagement and governance, integral to the development of SSE's diverse and flexible generation portfolio.
- Commercially minded in seeking future growth within SSE's market-based businesses, including internationally, having supported key capital recycling opportunities and transactions.
- Understanding of change management and sources of commercial risk.

Key external appointments
- Member of Energy UK Board.
- Vice Chair of the CBI Scottish Council.

Helen Mahy CBE
Senior Independent Director

Committee membership

N A S

Date of appointment
Non-Executive Director since March 2016 and Senior Independent Director from November 2023

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 and is a patron of the Social Mobility Business Partnership.

Skills relevant to the SSE Board
- Long-standing energy and regulatory expertise, spanning legal, compliance, governance and risk frameworks, with over a decade of experience overseeing renewables infrastructure investment.
- Extensive insight into investor and stakeholder perspectives and trends from cross-sectoral, international and external Board interests that enable wider discussion and debate.
- A balanced sounding board and advocate of a strong safety and employee wellbeing culture, extensive knowledge of sustainability, and applies focus to social equity, inclusion and diversity.

Key external appointments
- Non-Executive Director of Gowling WLG (UK) LLP.
- Chair of NextEnergy Solar Fund.
- Chair of the charity the Global Media Campaign to end FGM.

Rt.Hon. Lady Elish Angiolini LT DBE KC
Independent non-Executive Director of the Board and for Employee Engagement

Committee membership

N S R

Date of appointment
Non-Executive Director since September 2021

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. 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 a Pro-Vice Chancellor of Oxford University, previous Chancellor of the University of West of Scotland and Chair of the Board of Trustees for the legal action non-governmental group Reprieve.

Skills relevant to the SSE Board
- Significant understanding of UK and Scottish governance and practical experience of working with government through independent public reviews, whilst maintaining no political affiliation.
- Strong ambassadorial skills acquired 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 being an advocate for employee views.

Key external appointments
- Pro-Vice Chancellor of the University of Oxford.
- Principal of St Hugh's College Oxford.
- Chair of the Angiolini Inquiry.
- Chair of Board of Trustees of Reprieve.

Board changes 2023/24
- Gregor Alexander was succeeded by Barry O'Regan as Chief Financial Officer on 1 December 2023.
- Peter Lynas stepped down after nine years' service on 20 July 2023.
- Maarten Wetselaar joined as a non-Executive Director on 1 September 2023.
- Helen Mahy succeeded Tony Cocker as Senior Independent Director on 1 November 2023.

John Bason

Independent non-Executive Director

Committee membership

N A R

Date of appointment
Non-Executive Director since June 2022

Career and experience
John is a chartered accountant and brings significant listed company and international experience, through a career in global businesses. He was Finance Director of Associated British Foods plc (ABF) between 1999 and 2023 where its diverse businesses employed 128,000 people and operated in 53 countries worldwide. In 2023 he became Chair of Primark's Strategic Advisory Board and Senior Advisor to the retail business. Prior to ABF, John was Finance Director of the international distribution and services group Bunzl plc. Prior non-Executive experience includes Senior Independent Director and Audit Committee Chair of Compass Group PLC.

Skills relevant to the SSE Board
- Recent and relevant financial experience, with a proven track record of developing financial and commercial strategy, including M&A, corporate transactions and large capital projects.
- Extensive leadership experience and international perspective, gained from global companies and complex operations.
- 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
- Non-Executive Director of Bloomsbury Publishing Plc.
- Chair of the charity FareShare.
- Primark Strategic Advisory Board Chair.

Tony Cocker

Independent non-Executive Director

Committee membership

N A E S

Date of appointment
Non-Executive Director since May 2018

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. 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 relevant to the SSE Board
- 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 understanding of trends relevant to SSE's operations and of utilities regulation.
- Experience in strategic consultancy and energy and utility stakeholder management.

Key external appointments
- Chair of Infinis Energy Management Limited.
- Visiting Professor at Aston University.
- Chair of Future Biogas Limited.
- Chair of Energy Systems Catapult.

Debbie Crosbie

Independent non-Executive Director

Committee membership

N A E

Date of appointment
Non-Executive Director since September 2021

Career and experience
Debbie brings over 25 years of financial services leadership and became the first female Chief Executive Officer of Nationwide Building Society in 2022. Prior to this, Debbie served as CEO of TSB 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.

Skills relevant to the SSE Board
- Experience of strategy implementation, including execution of transformation projects within large consumer-facing organisations, and the critical role of digital and data.
- Understanding of capital allocation, optimisation and investment appraisal.
- Responsible for efficient and effective operations 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
- Chief Executive Officer 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.
- Director of UK Finance.
- Member of the Prime Minister's Business Council 2024.

External appointments
The proposed and actual new external commitments taken on by Sir John Manzoni, Melanie Smith, Dame Angela Strank and Tony Cocker were considered and approved by the Board. Further details of the considerations surrounding time commitment and independence can be found on pages 140 to 141.

Melanie Smith CBE

Independent non-Executive Director

Committee membership

N E R

Date of appointment
Non-Executive Director since January 2019

Career and experience
Melanie is the Chief Executive Officer of the NEC Group and a leading UK consumer retail executive. She brings over 20 years of strategy and transformation experience, with previous roles including CEO of Ocado Retail, the online grocer and retail company, and Strategy Director for Marks & Spencer where she had responsibility for group strategy, M&S Bank and M&S Services. Prior to this she held the positions of Global Strategy and Marketing Director at Bupa, Chief Operating Officer at TalkTalk and a Partner in McKinsey's Consumer practice.

Skills relevant to the SSE Board
- 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.
- 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
- Chief Executive Officer of the NEC Group.
- Advisory Board member of Manaia.
- Deputy Chair of Sadler's Wells.
- Founder of Mokaraka Trust.

Dame Angela Strank DBE

Independent non-Executive Director

Committee membership

N S R

Date of appointment
Non-Executive Director since May 2020

Career and experience
Dame Angela has held a long-standing international career in energy, including 38 years' service at BP. She was a member of the Executive Management team as BP Group Chief Scientist and Head of Downstream Technology. This followed international business and technical leadership roles spanning R&D, engineering, digital, product development and innovation, business development, finance and renewable energy. She is a Fellow of the Royal Society, the Royal Academy of Engineers, and an Honorary Fellow of the UK Energy Institute. Her DBE recognises services to the energy industry and pioneering STEM careers, especially for women.

Skills relevant to the SSE Board
- Expert in technology and science within the broader energy and manufacturing industries.
- Knowledge of leading and collaborating on a large scale and with international outlook, having worked extensively in culturally diverse environments.
- Corporate social responsibility and sustainability experience through involvement in climate science research, the energy transition, reputation and safety management, and inclusion and diversity; having chaired the Corporate Sustainability Committee, and Safety, Ethics and Sustainability Committee in two FTSE 100 companies.

Key external appointments
- Non-Executive Director of Rolls Royce plc.
- Non-Executive Director of Mondi plc.
- Member of Rio Tinto's Innovation Advisory Council.

Maarten Wetselaar

Independent non-Executive Director

Committee membership

N A E

Date of appointment
Non-Executive Director since September 2023

Career and experience
Maarten brings over 28 years' experience in the energy sector and is currently Chief Executive Officer of CEPSA (Compania Espanola de Petroleos, S.A), the Spanish multinational energy company involved in oil, chemicals, biofuels and green hydrogen. Prior to his current role, Maarten spent over 26 years at Shell, where he held positions within general management, finance, strategy, and business development and led the establishment of the company's renewables activities. His last six years at Shell were spent as a member of the Executive Committee in charge of the Integrated Gas and New Energies business.

Skills relevant to the SSE Board
- Wide-ranging and international experience in the energy industry, having lived and worked in South America, Africa, Asia, the Middle East, and Europe.
- Energy transition leadership, supported by experience in renewable, low-carbon, and green hydrogen capital projects globally as well as developing, communicating and engaging in energy transition strategies.
- Extensive experience in commodity markets, particularly relating to liquefied natural gas.
- Working knowledge of the listed company context including capital markets and investor relations experience from previous executive committee and finance roles.

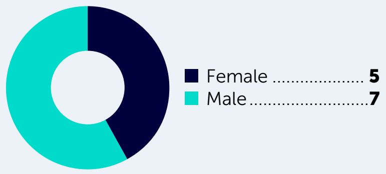
Key external appointments
- Chief Executive Officer of CEPSA.

Board Composition

As at 21 May 2024

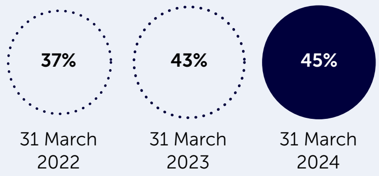
Board gender balance

42% female membership



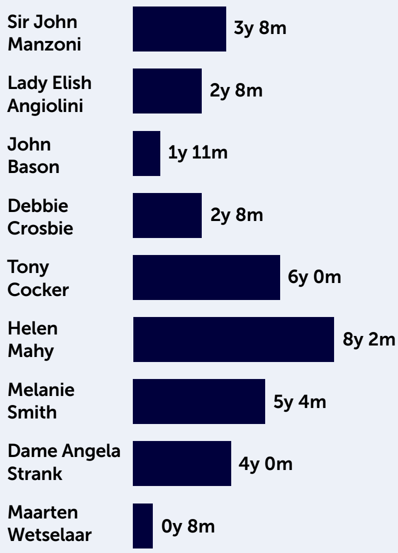
Rolling three-year female representation

45% rolling female membership



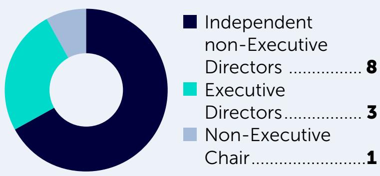
Non-Executive Director tenure

3 years 11 months average tenure



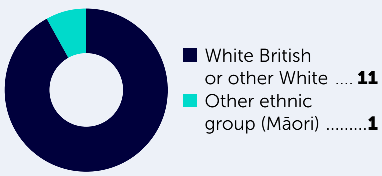
Board independence

73% independent excluding the Chair



Board ethnicity

1 Director from an ethnic minority background



Skills to support long-term success

The below matrix sets out the expertise the non-Executive Directors have assimilated outside of their SSE roles, mapped to the specific skills required of the Board to support SSE's long-term success. The collective position continues to be enhanced by the innate differences in approach and thinking styles, which result from the diverse background and experience of each individual as indicated in the respective Board biographies.

	Sir John Manzoni	Lady Elish Angiolini	John Bason	Tony Cocker	Debbie Crosbie	Helen Mahy	Melanie Smith	Dame Angela Strank	Maarten Wetselaar
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	●	●	●	●	●	●	●	●	●

Group Executive Committee

Alistair Phillips-Davies
Chief Executive

Barry O'Regan
Chief Financial Officer

Martin Pibworth
Chief Commercial Officer

Chris Burchell
Managing Director, 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
Managing Director, 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
Managing Director, 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.

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
Company Secretary and Group General Counsel

Liz is a Barrister and joined SSE in 2002 with the acquisition of Neos Networks. Since then, she has held a variety of legal and commercial roles and was appointed to the Group Executive Committee as Group General Counsel in March 2019, in advance of becoming Company Secretary and Group General Counsel in August 2023. Liz leads SSE's Company Secretariat and the corporate functions of Legal, Ethics and Compliance, Data Protection, and Large Capital Project Services. She is also a member of the GC100 Executive Committee.

Stephen Wheeler
Managing Director, 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.

Peter Lawns
Deputy Company Secretary, Secretary to the Committee

Peter is a Fellow of the Chartered Governance Institute. He joined SSE in 2005 and has held a variety of finance and company secretarial roles. Peter has been Deputy Company Secreatry since 2013 and oversees the delivery of the Group company secretarial service with responsibility for corporate governance, entity management, corporate reporting, and share registration and share plans. Peter was appointed Secretary to the Group Executive Committee in August 2023.

The Board's year

The following section sets out some of the key topics which the Board has focused on within its meetings and Board sessions in 2023/24. These reflect a commitment to progress under the NZAP Plus, SSE's dynamic operating environment and work to set the conditions for long-term success.

Meetings and attendance

	Board	Nomination Committee	Audit Committee	EMRC	SSHEAC	Remuneration Committee
Number of meetings held	6	7	4	4	4	5
Sir John Manzoni	6/6	7/7	–	4/4	4/4	5/5
Alistair Phillips-Davies	6/6	–	–	–	–	–
Barry O'Regan[1]	3/3	–	–	1/1	–	–
Martin Pibworth	6/6	–	–	4/4	4/4	–
Helen Mahy	6/6	7/7	4/4	–	4/4	–
Lady Elish Angiolini	6/6	7/7	–	–	4/4	5/5
John Bason[2]	6/6	6/7	4/4	–	–	3/3
Tony Cocker	6/6	7/7	4/4	4/4	4/4	–
Debbie Crosbie[3]	6/6	7/7	3/4	4/4	–	–
Melanie Smith	6/6	7/7	–	4/4	–	5/5
Dame Angela Strank	6/6	7/7	–	–	4/4	5/5
Maarten Wetselaar[4]	3/4	3/4	2/2	2/3	–	–
Gregor Alexander[5]	4/4	–	–	3/3	–	–
Peter Lynas[6]	2/2	3/3	1/1	–	–	3/3

1 Barry O'Regan joined the Board and EMRC on 1 December 2023.
2 John Bason notified a prior executive conflict with the date of a Nomination Committee meeting in April 2023.
3 Debbie Crosbie provided prior notification that the meeting of the Audit Committee in May 2023 coincided with the financial results for her Chief Executive Officer role.
4 Maarten Wetselaar confirmed prior to appointment on 1 September 2023, that the Board, Nomination Committee and EMRC meetings in November were on the same date as his executive Board meeting.
5 Gregor Alexander stepped down on 1 December 2023.
6 Peter Lynas stepped down from the Board on 20 July 2023.

In each instance of non-attendance papers were provided in advance of the meeting and comments provided to the respective Chair where appropriate.

Overseeing actions on safety

Safety is SSE's number one value and the first item on every Board agenda. The Board was pleased the Total Recordable Injury Rate (TRIR) for SSE's employees exceeded the agreed performance expectation for the year, but was disappointed with the increase in TRIR for contractors.

The Board reviewed key safety metrics and targets, and challenged work being carried out by the Group Safety Team and Business Units to ensure strategy and plans were delivering anticipated outcomes, with specific focus on contractor engagement and the initiatives which were being deployed to support performance.

Understanding the root causes behind SSE's metrics, helps the Board ensure that the actions being taken address key issues and support continuous improvement.

Board engagement with SSE's safety culture continued through site visits, participation in the newly developed immersive safety training, and attendance at SHE conferences. To help set joint standards and a commitment to get everyone home safe, the Board received feedback on a contract partner safety event, organised by SSE, which was attended by over 80 companies and 200 participants in November 2023.

0.07

SSE employee TRIR (versus 0.10 in 2022/23)

0.41

Contract partner TRIR (versus 0.34 in 2022/23)

More on SHE matters can be found in the SSHEAC Report on pages 154 to 157

Setting strategy and the parameters for delivery

The Board sets and reviews SSE's strategic direction through a programme of work which includes dedicated strategy days, Business Unit strategic updates and assessment of the external environment.

Reviewing strategic direction

The objective of strategic work in the year was to assess the impact of external developments on SSE's agreed capex plan (the NZAP Plus), review strategic progress, and debate further options for growth. The matters considered under each of these areas, and the outcomes of in-depth discussion, are set out opposite.

Setting financial parameters for strategic delivery

Each year, the Board reviews SSE's financial and investment strategy to ensure its Business Units and corporate functions have the necessary resources to deliver against agreed objectives. To ensure strategic plans are delivered within agreed parameters, the Board agrees key financial and investment criteria and reviews projects which meet its financial approval thresholds.

The annual budget was set by the Board in consideration of NZAP Plus investment, new projects and capacity coming online, and the impact of commodity prices on SSE's market facing businesses. To safeguard a disciplined approach to investments, it agreed investment criteria and targeted returns, by technology and geography, to reflect the cost of financing, inflation, and interest rates. In conjunction with the Audit Committee, the Board received updates on funding work and market liquidity to ensure SSE retains an investment-grade credit rating. In recognition of the scale of each of SSE's Business Units strategic plans and given the range of controls which exist in relation to project investment, the Board further approved an increase in its delegated financial authorities and a number of supporting matters within its Schedule of Reserved Matters, to support effective progress and delivery of the NZAP Plus.

Monitoring markets and policy

Two key areas which impact SSE's performance and long-term plans are energy markets conditions and the requirement for clear energy policy.

The Board's oversight of energy markets has been informed by monthly updates on commodity pricing and the work of the EMRC surrounding the governance arrangements to manage SSE's portfolio exposures. Following recommendation by the EMRC, the Board approved changes to the governance controls and risk metrics which the Committee oversees, so that they remain aligned to the external market environment and continue to be operationally effective.

The Board monitored policy developments, and actively engaged with policymakers and SSE's policy teams, on achieving practical reforms to accelerate the delivery of the infrastructure that the net zero transition requires. Key developments covered, include: the Review of Electricity Market Arrangements (REMA), the license conditions to support Accelerated Strategic Transmission Investment, the Contract for Difference framework required for offshore wind, and the criteria to build out low-carbon thermal at scale.

Assessing the external environment

To prepare for the strategy review days, the Board discussed key macro-operating developments and trends, including:

- Global and geopolitical volatility, including inflation, interest rates, policy and supply chain.
- Growth and costs of current and emerging technologies.
- The competitor landscape.
- Stakeholder perspectives of SSE.

Reviewing the NZAP Plus

Through the strategy review sessions, the Board assessed NZAP Plus progress and enablers for its delivery, including:

- Business Unit progress against targets and identified risks and dependencies.
- The interaction and role of SSE's key stakeholders within NZAP Plus plans.
- SSE's current position and options in selected markets.

Exploring future growth

The Board explored long-term risks and opportunities to continue to maximise shareholder and stakeholder value, including:

- The growth landscape and risk-adjusted returns of the existing pipeline, new projects and technologies.
- Financial strategy and the ways to fund accelerated growth.
- The shape of SSE and its business mix.

Outcomes

The Board confirmed the NZAP Plus as the correct strategic trajectory; approved Business Unit priorities and growth areas; and confirmed SSE's people, culture, organisational skills and capabilities as key enablers. A programme of strategic questions and topics was agreed to shape inputs to the Board agenda over the next 12 months and support ongoing strategic discussion. Through this work, in November 2023, the Board made an upgrade to its capex plans following the assessment of the additional growth opportunities available in its regulated networks businesses.

Setting strategy and the parameters for delivery continued

Reviewing strategic progress

Through the Board's review, discussion and debate surrounding strategic opportunities and challenges to NZAP Plus delivery, it has continued to reflect on the needs of SSE's key stakeholder groups. The following examples demonstrate how stakeholder factors were integrated within a number of the key developments which have formed part of the Board agenda in 2023/24.

Delivering value through volatility in Renewables

The Board regularly appraised growth opportunities for SSE Renewables across Great Britain, Ireland, and international markets, to support the development of its project pipeline. This included reviewing Contract for Difference (CfD) auction strategies, bids for new seabed, and overseeing the acquisition of a major new onshore wind pipeline in Ireland, and a new solar pipeline in Poland. New renewable projects are critical for the delivery of a low-carbon energy system, and SSE, and the Board, must work constructively with key stakeholders to successfully deliver these.

Balancing stakeholder interests

- **Delivering energy security and affordability.** The Board oversaw decisions to develop and deliver new renewable energy infrastructure, and provided approvals to progress projects which are needed to deliver long-term energy security and affordability for consumers.
- **Maintaining financial discipline.** The Board focused on the need to maintain financial discipline within its pipeline growth to ensure shareholder value through a volatile period for the sector. This resulted in the decision not to bid for offshore capacity in the UK's Allocation Round 5 (AR5) CfD auction.
- **Safeguarding supply chains.** The Board considered supply chain capacity and discussed the challenges of supply chain constraints in the sector. This resulted in monitoring of the business' procurement and engagement strategy to secure supply chain for future projects and regular updates on supplier engagement on current large capital projects.

Potential future opportunities

- **Securing long-term value in selected markets.** The Board will continue to review SSE Renewables' approach to establishing itself in selected markets and consider the required approach to stakeholder engagement within any new projects and plans.
- **Futureproofing market design.** The Board will retain constructive engagement with policymakers and regulators, surrounding market frameworks that promote renewable generation, prioritise sustainability, and deliver fair returns for investors.

Delivering flexibility in the net zero transition

The Board has reviewed opportunities to enable SSE to build a platform for future flexibility through low-carbon thermal and hydrogen-ready projects to deliver the long-term decarbonisation of the UK power system. Viable, flexible, low-carbon projects are needed to support security of supply and grid stability, for customers and society, and relies on policy and low carbon infrastructure to support economic development. Key areas of stakeholder influence, which the Board has reviewed in its work, include Government ambitions and the requirement for supportive policy, and continuing an approach to partnering to progress work on new technologies.

Balancing stakeholder interests

- **Security of supply for society.** The Board has supported the progression of Keadby Hydrogen through the design and planning process to help support security of supply challenges in the shorter term, and align with decarbonisation goals in the medium and longer term. Within this, it recognised the reliance on, and associated delays with government policy, to deliver the low-carbon infrastructure required for hydrogen and CCS projects.
- **Centralising expertise and enabling collaboration.** The Board received updates on the establishment of a Hydrogen Centre for Excellence to facilitate collaboration across SSE's business units and unite expertise across disciplines. It confirmed this would better enable SSE to deliver against its own and governments' hydrogen strategies, and engage with stakeholders as projects, policy and technology develop.
- **Broadening technology base.** The Board considered the strategic role of blue hydrogen production to support the decarbonisation of the power sector, through provision of low-carbon hydrogen as a fuel. This saw the H2NorthEast acquisition and assessments to understand the associated GHG emissions of the project and its alignment with the UK's Low Carbon Hydrogen Standard and EU Taxonomy criteria, and delivery against SSE's Net Zero Transition Plan.

Potential future opportunities

- **The role of low-carbon thermal.** The Board will continue to consider the role of new low-carbon flexible generation in the transition to net zero, and will engage with the appropriate stakeholders on opportunities to develop projects.
- **Supporting local economies.** The Board will remain updated on engagement with local communities, and what can be done to support the creation of low-carbon economies in areas impacted by the decline of carbon intensive activity.

Powering accelerated growth in the transmission network

Under the NZAP Plus, the Board approved a doubling of investment from £10bn to £20bn in SSEN Transmission. This investment in the growth of the transmission network is critical for the Scottish and UK Government to reach their 2030 renewable energy targets and is reflective of the Accelerated Strategic Transmission Investment projects (ASTI) identified by Ofgem. These projects and the existing RIIO-T2 Business Plan touch many stakeholders, from communities to society at large, and it is therefore essential SSEN Transmission continues to engage widely and share stakeholder feedback with the Board.

Balancing stakeholder interests

- **Community-led changes.** The Board remained appraised of comprehensive and meaningful engagement with communities, including the approach to project consultation events, as SSEN Transmission continued to refine project routes. A number of proposed changes to project design and substation locations resulted from local and wider stakeholder feedback.
- **Powered by people.** The Board reviewed the approach to workforce planning and recruitment, focusing on critical talent and targeted programmes for diversity, pipelines and training. As a result, it provided views on the continued development and the importance of SSE's safety culture to support the pace of required network growth.
- **Collaboration with supply chain.** The Board considered the requirement to secure supply chain capacity to deliver the identified growth opportunities within SSEN Transmission, which saw a number of businesses and contractors committing to a new ASTI Delivery Charter. This commits all those working on ASTI projects to a series of key working principles, including leaving a legacy and positive impact in the communities where infrastructure will be hosted.

Potential future opportunities

- **A network for net zero.** The Board will continue to monitor the delivery of a price control business plan that protects customers' interests and supports the building of national critical infrastructure, including development with stakeholders, of the business plan for the next price control period under RIIO-T3.
- **Beyond 2030.** National Grid ESO's Beyond 2030 plan confirms the need for a number of additional projects to proceed now, for delivery by 2035, which combined represent a potential estimated investment of over £5bn for SSEN Transmission. The Board will review the stakeholder engagement required to ensure an appropriate regulatory framework, secure planning and the required regulatory approvals.

Deepening Board knowledge

The SSE Board possesses a diverse skillset and depth of knowledge aligned to SSE's needs as set out in the skills matrix on page 120. Every year, the Board looks for opportunities to deepen its understanding of specialist topics through dedicated sessions which are both internally and externally facilitated. Internal sessions are attended by a range of SSE senior leaders, allowing the Board to fully engage with subject matter experts and the talent pipeline.

Below are two examples of topics discussed in 2023/24.

Large capital projects

Senior leaders presented sessions on the unique aspects of some of the large capital projects which define the NZAP Plus, to provide clear oversight of project-specific milestones, risks and critical dependencies. Areas covered, included project topography, technologies, construction plans, and consenting and supply chain needs, allowing the Board to deepen its understanding of the individual project considerations, and ask questions of the project teams and offer its own perspective.

Carbon capture and storage

SSE Thermal's strategy and engineering team hosted a deep dive session into carbon capture and storage (CCS) to help the Board deepen its understanding of this technology. The team explained how CCS can help decarbonise the power sector by tracing the journey of a carbon dioxide molecule from fuel combustion, through its capture, and onto final storage, and provided an overview of the key technical processes at different stages of a CCS plant to explain the intricacies of managing this type of facility.

4
External speaker sessions

4
Deep dives

A top-down approach to sustainability

The actions SSE is taking to support energy system transformation aligned to the sector's 1.5°C global warming pathway are reinforced by Board-approved sustainability and climate-related priorities. These priorities are integral to the delivery of SSE's sustainability and climate ambitions (see pages 24 to 49) and are embedded within decision making across SSE.

Reviewing climate science

The Board's understanding of the impact of climate change on SSE's strategy and business model is supported by a range of inputs. In the year, the Board received an update from SSE's meteorologist covering the latest climate science and weather pattern projections.

Committing to transparent sustainability reporting

Given growing stakeholder interest in sustainability-based disclosures, the Board reviewed emerging reporting frameworks, including the EU Corporate Sustainability Reporting Directive, International Sustainability Standards Board requirements, and Taskforce on Nature-related Financial Disclosures (TNFD) recommendations. In the spirit of remaining progressive, a key action endorsed by the Board was the approach to preparing for sustainability-related financial disclosures and the integration of emerging areas into SSE's existing ESG governance. In advance of publication, the Board approved SSE's Human Rights and Modern Slavery Statement and supporting Action Plan.

Collaborating on climate

Prior to SSE's participation in COP28, the Board considered the approach to stakeholder engagement across the key themes of renewables deployment, future electricity networks, and low-carbon flexibility, underpinned by the view that a unified approach across countries, industries and society is imperative to tackling climate change. It also continued to support SSE's role in the Powering Net Zero Pact – a supply chain initiative to address challenges in bringing about a fair and just transition to net zero (see page 27) – as the key vehicle to drive change with supply chain partners.

Supporting climate solutions aligned to a

1.5°C pathway

Governing digital and data

Rapid growth in digital tools and computing power presents both risks and opportunities for SSE. To stay abreast of this important topic, the Board received updates on artificial intelligence (AI), cyber security and data protection, led by senior leaders in each specialism. It also took part in an external session with Gartner to explore the use of AI in business and a digital energy system.

Approving a new AI framework

As part of its work to review the opportunities of AI, the Board approved a new group-wide AI framework to support the development of new use cases. The framework outlines several areas of focus, including how AI will support SSE's strategic vision and how the group will assess and govern its unique risk profile. The Board will periodically review the framework to ensure that, as AI matures, SSE's approach remains a responsible one.

Understanding the evolving cyber landscape

The Board reviewed SSE's cyber risks – and the steps being taken to mitigate them – in light of ongoing geopolitical instability, regulatory changes, emerging technologies and the industry wide challenges of working within a global supply chain.

The Board also considered external assurance over key areas of SSE's cyber resilience, and agreed SSE's approach to meeting Network and Information Systems (NIS) Regulation obligations. It was further updated on regulator driven changes to NIS compliance and the introduction of NIS2 in Europe.

Protecting data

To ensure that SSE's data protection framework remains fit for purpose in light of ongoing digital and regulatory changes, the Board reviewed SSE's key privacy metrics and the plans to continue strengthening its privacy programme. The Board concluded that the proposals would reinforce SSE's privacy and data standards.

Showcasing digital innovation

Dedicated sessions were held for the Board to learn about some of the digital solutions being developed by teams across SSE. These showcased the potential and identified the challenges of digital platforms, AI assistants, and data-driven forecasting and optimisation models, and provided clear insight on how digital ambitions were being pursued. Understanding these issues will help the Board continue to assess SSE's approach to information governance and strengthen its oversight of digital engagement and skills.

Assessing culture and values

Our values and Doing the right thing

SSE defines a healthy, ethical business culture as 'Doing the right thing' which is underpinned by the 'SSE SET' of six core values:

- Safety
- Service
- Efficiency
- Sustainability
- Excellence
- Teamwork

Setting the tone

The Board sets the culture and values of SSE and views these as integral to everything it does. It takes both a strategic and cultural lens to its deliberations and works to guide a healthy and ethical business culture across the organisation.

To lead by example, the Board seeks to demonstrate the application of SSE's values through its own actions, with senior leaders responsible for supporting the desired culture and making sure the values are embedded in their business areas.

More specifically, culture is reinforced at Board-level through:

- SSE's governance framework and practices (see pages 114 to 115).
- SSE's Doing the right thing guide profiling values and behaviours (see page 40).
- SSE's Group Whistleblowing Policy and whistleblowing arrangements (see page 40).
- People matters, appointments and succession planning (see the Nomination Committee Report on pages 138 to 143).
- SSE's risk, controls and compliance approach (see pages 86 to 95 and the Audit Committee and EMRC Reports on pages 144 to 153).
- Focus on safety, sustainability, health and the environment (see the SSHEAC Report on pages 154 to 157).
- Attitudes towards reward and remuneration (see the Remuneration Committee Report on pages 158 to 180).

Updating the value descriptors

During the year, the Board approved the outcomes of a project to review SSE's values. This assessed employee views of the continued role of the SSE SET within SSE's culture and included focus groups led by the Institute of Business Ethics (IBE) to gather employee feedback. This was considered by an internal working group and resulted in refreshed value descriptors that more accurately reflect SSE's purpose and vision – and which emphasise innovative and inclusive ways of working. The meaning of the updated value descriptors to SSE and colleagues was discussed through a full communication programme – see page 40 for more information on this work.

Measuring culture

The Board assesses the strength and health of SSE's culture in a number of ways, ranging from interacting directly with employees, to regular reports and updates. Twice a year, the Board reviews the Culture Dashboard, which is reflective of SSE's values and the way they inform cultural strands and indicators. The Dashboard includes employee survey data, people metrics and key performance indicators provided by Group HR and Group Ethics and Compliance, allowing the Board to see where there are differences between aims and reality and to support and track initiatives aimed at engaging with employees and enhancing SSE's culture.

Culture Dashboard extract 2023/24

Our culture is shaped and determined by the way we

Attract and retain people	Work together	Look after each other	See ourselves	Make decisions	Lead from the top

Reflected in employee feedback and key metrics

Employee engagement	Inclusion	Safety	Our strategy	Doing the right thing	Senior leaders
85% ▲	87% ▲	90% ▲	83% ▼	91% ▼	68% ▲

▲▼ Employee survey results relative to 2022/23

Supported by Board action

Held sessions with people new to SSE and early in their career to understand SSE's offering to prospective employees (see page 129) Considered the continued role of SSE's Just Transition in supporting jobs for people in high-carbon roles	Engaged with all Belonging in SSE community co-leads to understand employee priorities and promote inclusion across all areas (see page 142) Approved updates to the Board Inclusion and Diversity Policy and a senior leadership ethnicity ambition (see page 142)	Engaged directly in SSE's safety culture (see page 122) and continued regular operational site visits (see page 157) Considered the monitoring conducted by the SSHEAC (see pages 154 to 157)	Identified that employees wanted more engagement around the NZAP Plus Visited various SSE locations to understand employees' connection to strategy (see page 129)	Approved refreshed SSE SET value descriptors Continued to monitor a range of reports and feedback including following employee engagements, survey results, monthly people updates, compliance reporting, and the Culture Dashboard	Listened to feedback on topics employees wanted senior leaders to engage on, and engaged with all areas of the workforce on these (see page 129) Participated in talent programmes (see page 142)

Hearing and responding to employees

Engagement highlights

12
Board site visits and engagements

14
Board-led virtual sessions

12
Non-Executive Director for Employee Engagement sessions

c.27,000
Total employee attendance at Board calls

3,820
Largest audience size

How the Board engages

The Board is committed to ensuring everyone has a voice and access to the appropriate channels to share their views. The framework shown below demonstrates how the Board actively engages with employees across a range of different working environments, roles and locations, to capture employee experiences and views and understand how these differ or align.

Board engagement format and value created

Face-to-face and virtual employee sessions
To understand employee perspective and gain insight

All-employee surveys
To measure employee sentiment and inform actions and initiatives

Digital and written communications
To share key messages, progress and values

Roadshows and conferences
To discuss and embed SSE's purpose and strategy

Engagement carried out by the Board and enhanced by SSE's Non-Executive Director for Employee Engagement

Site visits
To enhance understanding of the business and operational culture

Focus groups
To gather a range of employee views on specific topics

Trade union representative engagement
To conduct meaningful consultation and engagement with employee representatives

Non-Executive Director for Employee Engagement

Lady Elish Angiolini was appointed Non-Executive Director for Employee Engagement in April 2023, following agreement that her rich stakeholder experience would support the core purpose of the Board-employee link and allow true connection with employee needs. This dedicated role follows an agreed plan of work which builds on existing channels of communication and fosters new engagement opportunities. It complements full-Board engagement activities by strengthening the depth of employee sentiment and representing relevant concerns within discussions and decision making.

"Over the last year I've heard from all areas of SSE's workforce as well as employee-led Belonging in SSE communities and trade unions representing SSE employees. This provided me with a wide range of views and I am grateful for the open and candid conversations I've been able to have. The views and insights gained have been discussed with the Board, to ensure they are channelled into action where required."

Lady Elish Angiolini


Members of the Board during their visit to the Iver primary substation

Taking action on employee feedback

SSE's all-employee survey is an important tool to help the Board understand the issues that matter most to employees. In the 2023/24 survey, employees said they wanted more senior leader engagement on strategy and net zero, culture and ways of working. Some examples of how the Board responded to these topics is set out below.

Strategy and net zero

Why the Board engaged

The Board acts in response to all-employee survey and engagement feedback, which cited a want to engage further with senior leaders on SSE's strategy and the drive to net zero.

- Sir John Manzoni, John Bason, Debbie Crosbie and Helen Mahy visited the Iver 132kV primary substation construction site to meet SSEN Distribution and contractor teams and explore areas including progress, challenges, technical innovation, skills and recruitment.
- Melanie Smith met SSE Thermal engineering teams to discuss innovation in low-carbon solutions and digital technology for Keadby 2 Power Station to support safety, maintenance and performance.
- Dame Angela Strank met senior leaders representing all of SSE's Business Units to consider and reinforce the NZAP Plus, strategic messaging, development opportunities and succession planning.

Culture

Why the Board engaged

The Board engages to deepen understanding of culture, promote adoption and embedding of company values, and gain insight into employee sentiment.

- The results of the 2023 all-employee survey and key takeaways were shared on an all-employee virtual call, attended by Lady Elish Angiolini, to offer her views on the survey results and respond to employee questions.
- Sir John Manzoni, Dame Angela Strank, Tony Cocker and Maarten Wetselaar attended a session with managers from a range of business areas and discussed communication and understanding of culture, and leading on values and strategic priorities.
- Following the Annual General Meeting 2023, Lady Elish Angiolini, Melanie Smith, Martin Pibworth, Tony Cocker, Debbie Crosbie and John Bason met employees who had been with SSE for less than 12 months. This provided understanding of views and potential improvements to the appeal of SSE as an employer, including in the areas of career advancement, flexible working, values and onboarding. The other Directors participated in a live all-employee call to allow discussion of topics material to employees.

Ways of working

Why the Board engaged

The Board seeks views of employee needs to drive culture and meet expectations surrounding working practices, career progression and wider support.

- Helen Mahy attended SSE's Engineering Professional Development Forum Engineering Awards, to hear from SSE's engineers, celebrate success, and reinforce the Board's commitment to SSE's engineering population and STEM career paths.
- Alistair Phillips-Davies, Barry O'Regan and Martin Pibworth led a hybrid Leadership Conference from Perth, to discuss the role of effective and efficient leadership in delivering key work and initiatives. The conference was simultaneously held and shared virtually in Dublin with Tony Cocker in attendance and in Reading with Helen Mahy.
- Lady Elish Angiolini connected with SSEN Distribution teams who were engaged in a change programme, to learn more about their experiences and progress on new ways of working. This was attended by employees with varying lengths of service including apprentices, who shared insights and views on career pathways, skills development and knowledge transfer.

Understanding shareholder views

Engagement highlights
During 2023/24 the Board, senior management and the investor relations team participated in:

225
one-to-one and 37 group meetings

Global
meetings physically across Europe, Australia and Asia, with virtual engagements in North America

2
results-based roadshows

Pre-AGM
Chair-led governance meetings

18
industry conferences

Board engagement with a wide range of investors reflects the importance of recognising the views of those that invest in SSE, when making and implementing strategic decisions, communicating sustainable business plans, and reporting on environmental, social and governance (ESG) and financial performance.

Institutional investors

A comprehensive engagement programme underpins discussions with institutional investors surrounding their investment priorities and views of SSE's position and plans. Within this, results-based engagement is typically led by SSE's Executive Directors, with the Chair leading discussion on corporate governance matters with the support of the Senior Independent Director. Board Committee Chairs conduct engagement in response to investor requests or to canvas opinion on a development within Committee work.

Retail shareholders

In December 2023, Computershare Investor Services plc (Computershare) was appointed as SSE's Registrar, with responsibility for day-to-day management of the register of members and related shareholder services (see page 343). With support from Computershare, the Investor Relations team and the Company Secretariat engage with retail shareholders in response to private shareholding queries. In addition, SSE's investor website provides a source of equivalent information for SSE's retail shareholders, housing regulatory news announcements and published financial and non-financial reports.

Sharing and interpreting feedback

The Board remains appraised of investor sentiment through feedback following each engagement, monthly investor and market reports covering share price performance and sell-side analyst commentary, and independent reports from SSE's brokers.

Re-affirming investor support for the NZAP Plus

Response to Full-year Results

In May 2023, the Board confirmed SSE's NZAP Plus, which rolled the original NZAP forward by 12 months whilst also upgrading the associated targets, ambitions, and investment mix. This decision reflected the available growth opportunities across SSE's portfolio of net-zero aligned businesses and was consistent with investor feedback surrounding SSE's strategic and investment plans. The comprehensive post-results roadshow across May and June 2023 canvassed opinion on the upgrade, which continued to align with the Board's views of disciplined investment and executing on growth.

The Board noted forward-looking investor priorities focused on the returns associated with international opportunities, the challenging UK policy environment, and the complexity of thermal earnings in volatile commodity markets.

Progressing the Net Zero Transition Plan

An ESG investor event, with the Chief Executive, Chief Commercial Officer, Chief Sustainability Officer and Director of Investor Relations took place in June 2023. The purpose of the online event, 'Progressing the Net Zero Transition Plan', was to confirm the position of climate targets at the core of SSE's strategy, and to update on progress against them. Questions were invited to be submitted ahead of the event to ensure focus on areas of investor interest. The Board was updated on investor support for continued clarity around SSE's actions to achieve its net zero ambitions. This support was illustrated at the Annual General Meeting (AGM) 2023, where the advisory vote on SSE's Net Zero Transition Report received almost 98% votes in favour.

Responding to the macroeconomic context

Following a further revision to the NZAP Plus in November 2023 – confirming an expected increase in capital investment to £20.5bn over the five years to 2026/27 – a global investor roadshow was undertaken and meetings attended by at least one of SSE's Executive Directors. The Board received feedback on emerging investor consensus surrounding identifying the right investment opportunities within SSE's business mix and in line with any changes in the macro-operating context.

98%
Votes in favour for SSE's Net Zero Transition Report

2
NZAP Plus upgrades

Focus on environmental, social and governance (ESG)

Seeking views on corporate governance and sustainability

The annual Chair roadshow in July 2023 reinforced Board priorities and sought feedback across corporate governance and sustainability topics, covering Board and senior leadership composition and succession planning, the importance of accredited science-based targets to underpin SSE's decarbonisation pathway, as well as an increased focus on tracking and targeting reductions in Scope 3 emissions. Views received remained aligned to the Board agenda and areas of Board focus.

Engagement with ESG ratings agencies

Active engagement with ESG ratings agencies during 2023/24, underpinned by SSE's 2030 Goals, Net Zero Transition Plan, Just Transition Strategy and science-based targets, resulted in stable or improved performance in relevant ESG indices. The SSHEAC reviewed performance in the year and more information can be found on page 156.

Green debt financing

Recognising investor demand for debt used to fund sustainable assets, SSE issued a new €750m Green Bond in August 2023 and, via SSEN Transmission, a new £500m Green Bond in January 2024. The issuances were overseen by the Audit Committee and Board, and supported by regular engagement between SSE's Treasury function and debt investors. For more information see page 18.

£3.7bn

SSE's total Green Bond issuance to date

For more on the Board's engagement with shareholders and debt providers, including key matters of importance raised, see page 132

For more of the integration of investor views within Board considerations see pages 124 to 125

The Board answering shareholder questions at SSE's Annual General Meeting 2023

Stakeholders and Section 172 Statement

Through delivery of its strategy SSE fulfils an unwritten social contract, at the centre of which, are SSE's key stakeholders. These are identified as the people, communities and organisations that have an interest in, or might be affected by, its decisions, actions and operations.

The relationship with key stakeholders is two-way and an overview of the reciprocal nature is set out in SSE's business model on pages 6 to 7 and the introduction to SSE's stakeholders on pages 14 to 15.

Strategic stakeholder engagement underpins the understanding of issues material to each of SSE's six key stakeholder groups and includes a combination of business-led and Board-level interactions. This approach is reflective of legislative and regulatory requirements and is designed to ensure all views are heard.

The result is stakeholder influence across 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 across SSE.

This statement, and the following 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.

How we engage with key stakeholders and what we've learnt

Stakeholder group	How we engage	What we've learnt was important
Employees		
SSE's strategy and success are dependent on the shared talent, diversity, innovation, and values of the people it employs. See pages 38 to 45.	**Board engagement** – Employee-focused work by the non-Executive Director for Employee Engagement. – Site visits and attendance at face-to-face and virtual events, allowing employees to engage directly with Executive and non-Executive Directors. – Regular assessment and review of SSE's culture. See pages 128 to 129 **Group engagement** – Employee voice soundings through the annual all-employee survey. – Group-wide multi-channel employee listening and engagement strategy, which assesses employee sentiment at touchpoints through the employee life cycle. – Analysis of data from exit surveys. – Engagement with trade unions.	– Employee safety, mental wellbeing, support and resilience. – SSE's employee offering, including reward, benefits, inclusivity, flexibility and career progression. – Understanding of employee contribution to SSE's net zero strategy, ambitions and just transition approach. – Giving all employees a voice and taking action in response to the all-employee survey findings. – Continued engagement with senior leaders.
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. See pages 130 to 131.	**Board engagement** – A programme of physical and virtual Director-investor meetings and roadshows. – Direct engagement with the Board at the Annual General Meeting providing shareholders with the opportunity to ask questions via the hybrid meeting format. – A dedicated virtual environmental, social and governance (ESG) seminar. – Executive Director engagement with credit rating agencies used by debt providers. See pages 130 to 131 **Group engagement** – Responding to queries from shareholders and debt providers and holding meetings with all types of investors. – Engagement with equity research analysts and brokers. – Engagement with ESG ratings agencies used by investors and debt providers to gauge sustainability credentials.	– Financial and ESG performance compared to market expectations. – The effect of competition, cost pressures, and supply chain constraints on returns from renewables investments in GB, Ireland and new markets. – Progress in delivering on the construction of large and complex capital projects. – Political and regulatory risks and opportunities including the outcome of the UK General Election. – Refinancing requirements, liquidity and the level of protection against interest rates. – SSE's hedging position and exposure of the Group's earnings to energy commodity prices. – Optimising capital allocation across SSE's Business Units. – Understanding of the key drivers for SSE Thermal earnings over the medium term.

Stakeholder group	How we engage	What we've learnt was important
Energy customers		
Consumers create demand for the energy and services SSE provides and set the tone for our purpose. See pages 33 to 35.	**Board engagement** – Updates from SSE's customer facing Business Units on the influence of customer factors driving business direction and propositions. – Monitoring of performance to ensure delivery of an appropriate level of customer service and investment. – Updates on the response, and support being provided to customers, during storm events. **Group engagement** – Dedicated panels to consider the perspectives of vulnerable customers and forums to engage with large business customers. – Monitoring of a wide range of performance indicators 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.	**Networks customers** – The impact of increased severe weather events with a focus on investment, communication, and vulnerable customer support. – Improved customer services and connection processes in SSEN Distribution. – Driving efficiency in the execution of RIIO-ED2. – The outcome of work by the regulator to identify, assess and confirm transmission investment options to support offshore wind development. – Engagement in SSEN Transmission's Customer Experience Strategy. **Energy supply customers** – Energy efficiency and decarbonisation measures for business and domestic customers. – Energy affordability and the available funds and support mechanisms. – Customer service experience including wait times and support.
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. See pages 19 and 30.	**Board engagement** – Direct constructive engagement with UK Government, regulatory bodies and political stakeholders. – Overseeing the implementation of SSE's Political Engagement Policy and corresponding advocacy priorities. – Monitoring engagement activity and responses to regulators to ensure that strategic, financial, investment and operating frameworks remain aligned to the external landscape. **Group engagement** – Consistent engagement with senior government ministers, wider political stakeholders and regulatory officials in SSE's home markets of GB and Ireland, and in new jurisdictions where the development pipeline is expanding. – Contributing to policymaking process through responses to material consultations launched by government, parliamentary bodies and the regulator. – Regular engagement with EU policy makers and EU sector industry associations to provide feedback on key energy policies and respond to EU consultations.	– Accelerating infrastructure delivery to improve energy security and decarbonise the sector. – Strategic investment in networks to facilitate net zero and improve energy resilience. – Evolution of the electricity market and support mechanisms to continue to deliver investment in UK energy infrastructure. – Evolution of the EU electricity market design and investment framework for renewables, including key principles to design national auctions.

Stakeholder group	How we engage	What we've learnt was important
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. See pages 36 to 40.	**Board engagement** – Approves and receives updates on SSE's 2030 Goals aligned to the UN Sustainable Development Goals. – Considers the community impact and benefit of large capital projects including the approach to consultation. – Deepens understanding of local community priorities through site visits. – Oversees SSE's community investment model in GB and Ireland and approves underlying investment fund principles. **Group engagement** – Active promotion of key sustainable development frameworks, such as the UN's Sustainable Development Goals. – Partnerships with key NGOs which deliver additional social and environmental benefits for the communities in which SSE operates, some of which are publicly supported by senior leaders within SSE. – Supporting community projects to enhance the social economy. – Holding community consultation events to gather feedback on projects and business plans. – Sharing best practice and learnings with a range of stakeholders, including the Department for Energy Security and Net Zero (DESNZ) for onshore wind best practice guidelines.	– Net zero transition planning, considering both social and nature interdependencies. – The cost of energy, particularly in the context of a cost-of-living crisis that is easing but nonetheless still felt by energy users. – Restoring nature, adding value to natural capital, and preventing harm to species and eco-systems. – The socio-economic 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 of large businesses including tax policies and tax transparency. – Allocation and impact of SSE's community investments.
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. See pages 27, 36 and 41.	**Board engagement** – Executive Director meetings with strategic partners and suppliers. – Updates on joint venture project strategy and progress. – Reports on contractor safety performance and initiatives. **Group engagement** – Meetings with strategic suppliers to discuss material issues through SSE's well-established Supplier Relationship Management (SRM) programme. – Collaboration with suppliers and government on attracting inward investment. – Continued engagement through the CDP Supply Chain engagement programme. – The launch of the first report of the Powering Net Zero Pact initiative established with supply chain partners.	– The management and mitigation of health and safety risks on SSE's sites. – The impact of supply chain constraints on large capital project delivery. – Economic opportunities in local supply chains. – Ensuring supply chain resilience and sustainability through the mitigation and management of key environmental and social impacts. – The approach to project decision and innovation. – Fair expectation in the delivery of projects and prompt payment.

How we take decisions

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 40 and 127

The Board 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 decisions.

Given the societal role of SSE's operations, a set of engagement priorities which cover the cross-cutting issues of energy security and affordability, the climate emergency, and the societal impact of net zero are approved by the Board each year to frame supporting activity across SSE. Those identified for 2024/25 are set out below.

- Continue to execute against NZAP Plus targets and support stakeholder value creation.
- Advocate for policy frameworks which support investment in net zero-infrastructure, seeking clarity during a UK General Election year.
- Garner societal support for, and continue to champion, a just transition to net zero.

How we consider the long term

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. The general principles laid out in Section 172 are therefore intrinsic to how SSE operates and are firmly embedded within SSE's culture. 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.

How we consider our operations and the environment

SSE recognises the serious threat that climate change poses to the natural world. Climate change features across many 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. More can be found on pages 24 to 32, 46 to 49 and 98 to 108.

How we consider business conduct

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 doing the right thing, through responsible business conduct and making a positive difference for stakeholders. Supporting Board work is discussed on page 127.

How we consider our key stakeholders

A description of how the Board considered stakeholder factors within a number of the key developments in 2023/24 is set out on pages 124 to 125.

Assessing Board performance

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 performance review.

The 2023/24 Board and Board Committee reviews were facilitated by Lintstock Ltd (Lintstock). The re-engagement of Lintstock for two years following the 2021/22 external performance review was agreed to provide consistent oversight of the actions and themes identified over a three-year time frame, and in advance of the next external process in 2024/25.

The methodology of the follow-up reviews were aligned to an internal evaluation and structured to allow areas requring increased Board focus to be identified. In 2023/24, specific consideration was also provided to confirming SSE's skills matrix which is set out on page 120.

Outside of the Board and Board Committee performance review work, there is no other contractual connection between SSE or the individual Directors and Lintstock.

2022/23 Findings and progress

Opportunities for refinement	Examples of outcomes
Enhancing contact with SSE's culture, senior teams, Business Units and strategic context	– Pro-active scheduling and a forward-planner of site visits has been implemented and is available for the Board to view and attend (see page 128). – Deep dives into projects and specific business areas remain a valued and key Board activity (see page 123). – A review of the external environment based on sector performance and trends is prepared and presented by the Group Strategy Team as a standing item in the year.
Continued consideration of people issues	– Diversity progress and ambitions continues to be reviewed by the Nomination Committee, and the Board agreed a target for ethnic minority representation for SSE's senior leadership (see page 143). – The Board attended talent events (see pages 141 to 142) and conducted a programme of employee engagement (see pages 128 to 129).
Board composition	– Barry O'Regan and Maarten Wetselaar joined the Board on 1 December 2023 and 1 September 2023 respectively, both of which have been supported by an agreed induction programme (see page 141). – Helen Mahy assumed the role of Senior Independent Director on 1 November 2023 (see page 140).

2023/24 Board performance review process

STAGE 1

Design of evaluation

- A session took place with Lintstock and the Company Secretary and Group General Counsel to discuss the proposed process for 2023/24.
- To ensure the process remained engaging and effective it was agreed to adopt a succinct questionnaire, complemented by a review of the Board's skills matrix.

STAGE 2

Review methodology

- The questionnaire was sent to each Board and Board Committee member and structured around the topics of:
  - Board dynamics
  - Stakeholder oversight
  - The Chair
  - Board operations and support
  - Strategic oversight
  - Risk management
  - Priorities for change
- A skills assessment aligned to SSE's skills matrix was issued alongside the questionnaire.

STAGE 3

Findings and actions

- Based on the responses, Lintstock produced Board and Board Committee evaluation reports for review at the respective meetings.
- The finalised report of findings was provided to the Board and, through discussion, actions were agreed.

2023/24 Findings and actions

The Board performance review identified progress across a number of key areas. To provide deeper insight into relative performance and the responses provided, the results were measured against an available external benchmark and the following areas highly rated: the support provided by the non-Executive Directors, the atmosphere in the Boardroom, and employee engagement and culture.

Whilst the Board was confirmed to be operating effectively, some opportunities for continued improvement and refinement were identified. A suite of actions was therefore agreed, against which progress will be tracked across 2024/25.

Opportunities for refinement	Commentary and actions
NZAP Plus execution and growth	The results affirmed the critical objective of executing agreed plans and retaining a deeper understanding of future domestic and international markets. **Actions agreed by the Board** – Continue to enhance oversight and engagement with management on NZAP Plus performance and execution. – Use project specific deep dives to assess how large capital project execution is being delivered against plan.
Enhancing stakeholder engagement	Connecting with stakeholders was highlighted as a top priority, with feedback exploring further opportunities for Board engagement. **Actions agreed by the Board** – Further evolve reporting on supply chain challenges within project deep dives and consider an appropriate opportunity for direct Board-supplier engagement. – Ensure exposure, discussion and debate surrounding policy and political developments is maintained.
Continued support for Board succession and changes	Following a number of Board changes, it was agreed to maintain ongoing support for transitions in membership. **Actions agreed by the Board** – Continue to review and ensure the effectiveness of short-, medium-, and long-term succession plans. – Continue to map Board skills, diversity and tenure with the support of the Nomination Committee to allow any potential gaps to be identified.

Board Committees

Each Board Committee was confirmed as providing effective Board support. Specific findings and the agreement of actions was overseen by each Committee Chair, with consideration of the overall findings of the Board. Details of actions and progress are set out in the reports across pages 138 to 180.

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 the individual skills (see page 120), time commitment and independence assessments (see pages 140 and 141) confirmed each Director continues to contribute positively.

Chair performance

The performance of the Chair was evaluated by the Senior Independent Director based on individual feedback and collective discussion from the non-Executive and Executive Directors.

This recognised the strength of inclusive leadership provided by the Chair; the safe environment he creates for authentic debate; and the enthusiasm he holds for the sector, making him a dedicated ambassador for SSE. His collegiate approach was noted to support engagement with the wider workforce and a constructive working relationship with the Executive Directors.

The outcome was agreement that the Chair continued to devote sufficient time to the role and demonstrated effective leadership of the Board.

Nomination Committee Report

Focus areas in 2023/24

- Reviewed Board composition and time commitment.
- Recommended an internal change in Senior Independent Director.
- Recommended adoption of an ethnicity target for senior leadership.
- Recommended updates to the Board's Inclusion and Diversity Policy.

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.** Reviews the size, structure and composition of the Board's Committees to ensure appropriate support now, and going forward.
- **Talent pipeline.** Monitors the senior leadership pipeline and initiatives to develop internal capability, engaging in leadership programmes.
- **Inclusion and diversity.** Through the Board's Policy, considers the perspectives and attributes across the Board and senior leadership and confirms ambitions and work to drive progress.

The Committee's Terms of Reference are available on **sse.com**.

Membership and attendance

The membership of the Committee comprises the non-Executive Directors and the Chair of the Board, who is Chair of the Committee. The Company Secretary and Group General Counsel is Secretary. Where appropriate, the Executive Directors are invited to attend meetings.

Biographical details of the Committee members can be found on **pages 116 to 119**.

The Committee met seven times in 2023/24 with attendance on **page 122**.

Dear Shareholder

The Committee has continued to provide focus on maintaining strength of leadership for SSE, aligned to the skills, experience and diversity needed to support growth and delivery. Our skills matrix is tailored to SSE's strategic situation and was reaffirmed through the Board performance review as the correct view of the capabilities the Board requires. These skills are mapped to tenure and key Board roles to inform plans for orderly succession and any required changes to Board composition.

A number of successful transitions in Board membership were made across the year, which followed on from succession planning and Board recruitment work in 2022/23. We were pleased to welcome Barry O'Regan as Chief Financial Officer on 1 December 2023, when Gregor Alexander retired from the role of Finance Director. Maarten Wetselaar joined us as a new non-Executive Director on 1 September 2023. And Liz Tanner became Company Secretary in addition to her role as Group General Counsel on 1 August 2023 upon the retirement of Sally Fairbairn as Company Secretary and Director of Investor Relations. Following nine years' service, Peter Lynas stepped down from the Board on 20 July 2023. We thank Gregor, Sally and Peter for their contribution to SSE over their respective careers and Board tenure.

We believe the changes which have been completed maintain depth of financial and energy leadership and bolster our international outlook. Looking forward, we will continue to appraise how Board skills and membership should evolve in response to the operating environment and SSE's long-term direction.

Within our Board Committees, John Bason became Audit Committee Chair on 21 July 2023 and Melanie Smith became Remuneration Committee Chair on 1 April 2023. Both positions have been supported by a comprehensive induction and handover process.

Guided by our Board Inclusion and Diversity Policy, we have continued to assess how diversity is represented across Board membership. Currently, the Board comprises 42% women and we have one Director from an ethnic minority background. To further progress, we considered options to meet the FTSE Women Leader's Review recommendation for female representation within key Board roles. This gave rise to a change in the Board member appointed as Senior Independent Director with Helen Mahy assuming the role on 1 November 2023. In line with this change, and to further evidence our existing approach to diversity within the Board Committees, a number of corresponding updates were made to the targets within our Board Inclusion and Diversity Policy.

We remain equally focused on progress within our senior leadership population and have reviewed talent pipelines and the actions which continue to be pursued to enhance diversity below Board level. A key area of discussion was an appropriate ambition for ethnic minority representation within the Group Executive Committee and its direct reports for achievement by 2027, to sit alongside our existing gender target for this group. A level of 6% was endorsed by the Committee and was agreed in consideration of the current position within SSE, the industry, and operating geographies.

Further detail on the above developments and the work of the Committee in 2023/24 is detailed in the report which follows, which I hope provides a clear account of how we have continued to fulfil our responsibilities in respect of people matters.

Sir John Manzoni
Chair of the Nomination Committee

21 May 2024

Committee evaluation

The annual review of Committee performance was facilitated by Lintstock (see pages 136 to 137) and the outputs considered by the full Committee. This confirmed the Committee's continued effective operation and agreement of actions for 2024/25.

Evaluation confirmed	– The Committee has continued to progress and strengthen work on areas within its remit. – A strong balance of skills and experience has been achieved across Board membership. – Good challenge has been applied to work on talent pipelines with an enhanced focus on diversity.
Actions for 2024/25	– **Board composition.** Continue to build optionality and depth across succession plans through internal pipelines and understanding of the external market. – **Talent engagement.** Maintain engagement with the internal talent pool and provide time for this population to connect with Board members. – **Inclusion and diversity.** Prioritise diversity for continuous improvement with a focus on ethnicity and understanding of wider diversity characteristics where possible.

Board leadership

Ensuring strength of composition

The composition of the Board is informed by plans for orderly Board succession across Board and Committee roles. Across 2023/24, the skills, experience and diversity of the Board continued to be assessed against the criteria the Committee believes is needed to set and challenge strategy and understand changes in SSE's complex operating context. The Board's skills matrix confirms what these attributes are and is supplemented by the view of Board diversity – both of which are set out on page 120. Skills and diversity continue to be mapped against the view of Board tenure, to understand the impact of any planned departures on Board balance.

A number of key succession planning activities were agreed in 2022/23 that came into effect in the year, as a result, there was no new recruitment activity completed by the Committee in 2023/24. The main objectives were instead to identify what future Board skills and recruitment may be required, and to ensure a successful transition across the changes in Board membership which have taken place.

Previously agreed changes 2023/24

On 1 September 2023, Maarten Wetselaar joined the Board as a non-Executive Director. This followed a search centred on experience of large capital projects; operation, development, or construction of renewable energy; international business and mergers and acquisitions; and engagement with capital markets. Maarten brings distinct and additive international energy leadership and related perspectives to the Board, with breadth and depth of experience across conventional and new energy projects. His expertise across business growth and portfolio transformation, and working knowledge across capital and commodity markets, remain key to SSE's growth and strategy.

On 1 December 2023, the transition in the role of Finance Director to Chief Financial Officer saw Barry O'Regan join the Board and Gregor Alexander retire after 32 years' service with SSE and 21 years as Finance Director. This change was supported by a comprehensive selection process which involved both internal succession plans and an external search. Barry was previously Finance Director, SSE Renewables and had responsibility for corporate finance across the SSE Group. He possesses substantive financial and energy sector experience from a 19-year career and 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.

On 20 July 2023, following completion of nine years' tenure, Peter Lynas stepped down from the Board. The succession plan for the role of Audit Committee Chair was addressed through the appointment of John Bason on 1 June 2022.

On 1 August 2023, Liz Tanner assumed the role of Company Secretary in addition to her General Counsel responsibilities. This followed the retirement of Sally Fairbairn as SSE's Company Secretary and Director of Investor Relations, at which time, the position of Director of Investor Relations became a separate role within the Investor Relations Team.

Board appointment process

A considered process supports directorate appointments to the Board and is set out below. It is bolstered by SSE's Board Inclusion and Diversity Policy, which drives action to promote diverse appointments and inclusive recruitment. 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

Board appointment process

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Confirm objective of the process and role specification.	Engage an external recruitment firm and set out process.	Assess how the specification can be met through a longlist.	Review technical and cultural fit to agree a shortlist.	Identify the preferred candidate to recommend to the Board.

which embraces difference, organisational fit remains a key parameter in addition to technical capability. More on inclusion and diversity, and the Board's Policy can be found on pages 142 to 143.

Details of how this process resulted in the appointment of Maarten Wetselaar and Barry O'Regan can be found in the Nomination Committee Report 2023.

Board Committees and key roles
Board Committee membership and the appointment of key Board roles is designed around the following principles:

- to ensure alignment between skills and specific Committee and individual responsibilities;
- to prevent undue reliance on the capacity of any Director; and
- to comply with recognised guidance including the UK Corporate Governance Code (the Code).

Changes can be recommended to support succession plans, in line with new Board appointments, or in response to the annual review of Board composition. In 2023/24, the following changes which had been previously approved by the Board took place.

Under the succession plan for the Board roles held by Dame Sue Bruce, on 1 April 2023, Melanie Smith assumed the role of Remuneration Committee Chair and Lady Elish Angiolini became SSE's non-Executive Director for Employee Engagement.

In line with his appointment as Audit Committee Chair designate, John Bason took on the role of Audit Committee Chair on 21 July 2023, and joined the Remuneration Committee in advance of this date on 22 May 2023.

On appointment, it was agreed Maarten Wetselaar would join the Nomination Committee, Audit Committee and Energy Markets Risk Committee.

Senior Independent Director change

A recommendation was made in the year to make an internal change in SSE's Senior Independent Director, with Helen Mahy taking on the position in a handover from Tony Cocker.

This resulted from continued work on inclusion and diversity and assessment of stakeholder perspectives surrounding female representation within Board roles.

The approval provided by the Board is consistent with SSE's desire to support progress under the Board Inclusion and Diversity Policy, and is reflective of the strength of SSE's Board composition which provides optionality for the role.

Helen possesses depth of understanding of SSE's operations and is supported by an executive legal career in the sector, alongside an extensive portfolio of non-Executive listed company experience. Rising investor interest in sustainability matters aligns with Helen's role as Chair of the SSHEAC, and her involvement in external equality, inclusion and diversity initiatives.

The change in Senior Independent Director took effect from 1 November 2023, with Helen and Tony's other Board and Committee roles remaining unchanged.

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. On joining the Board, additional external appointments require Board approval, and remain subject to review of the individual circumstances of the request being made. The acceptance of an external appointment by an Executive Director also requires Board consent.

In the year, approvals were provided for Sir John Manzoni, Melanie Smith, Dame Angela Strank and Tony Cocker. In each case, the Committee sought a declaration of Director capacity, assessed the time commitment the position would require, and reviewed relevant proxy guidance and investor policies. For Sir John Manzoni, it was agreed that until he assumed the position of Chair of Diageo plc, which is expected to be around 5 February 2025, there would be no change in his current roles nor the time expended across them. The Board was satisfied that in advance of February 2025, changes would be made across John's portfolio of commitments, to allow him to proceed with the new position. All of the above appointments were approved, with it agreed there would be no impact on any individual's SSE Board role.

To enhance continued monitoring, and as an extension to existing process, the Committee further evolved its annual review of external appointments to include the time commitment associated with each role. This continues to be supported by the assessment of Director and Board performance within the annual performance review process. Together, this concluded there were no concerns with the overall portfolio of any Director.

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, and approved in the period, were a third three-year term for Tony Cocker and a second three-year term for Sir John Manzoni. 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. Each Director abstains from discussion and approval of their own re-appointment.

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 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 137) and the circumstances set out in the Code which could compromise an individual's position.

Following review in 2023/24, 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 182). 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 Group General Counsel, and considers existing expertise and any prospective Board or Board Committee roles.

The agreed induction for Maarten Wetselaar comprised a balance of knowledge-based sessions with internal functions and external advisors, in addition to employee engagements to provide exposure to SSE's culture and working environment. Delivery has been in phases with information material to the non-Executive Director role provided in the early stages.

Barry O'Regan's induction to the Board and role of Chief Financial Officer was an externally-facilitated session with SSE's legal advisors. Recognising Barry's in-depth knowledge of SSE and the relationship with the investment community, brokers and the External Auditor, the session focused on: the role and duties of a listed company Director; pertinent legal and regulatory frameworks and developments; and an overview of the corporate governance landscape.

Maarten Wetselaar induction programme

Areas covered	Sessions by
SSE's purpose, strategy, operating context, and business model	Chief Executive Director of Corporate Affairs, Regulation and Strategy MD of each Business Unit
Financial performance and strategy, funding, assurance, and investment community	Finance Director and incoming Chief Financial Officer Director of Investor Relations
Energy sector and trends, SSE's energy portfolio and long-term energy markets	Chief Commercial Officer
Corporate affairs, policy and stakeholder engagement	Director of Corporate Affairs, Regulation and Strategy Group Director of Corporate Affairs
Net zero transition, sustainability and ESG	Chief Sustainability Officer
Safety, health and the environment, and SSE's people and culture	Group Safety, Health and Environment Manager Director of HR
Corporate governance, Board operations, and legal and regulatory views of the external environment	Company Secretary and Group General Counsel Deputy General Counsel Deputy Company Secretary
IT and cyber security	Group Chief Information Officer Chief Information Security Officer Chief Technology Officer

To accompany the changes in Audit and Remuneration Committee Chair in the year, meetings were arranged with key personnel who would interface with each role. Sessions covered pertinent inputs to Committee business, current trends and issues in the areas relevant to the work of each Committee, and allowed time to discuss the approach to Committee ways of working.

Board 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 Group General Counsel, and can be internally or externally facilitated. More information on sessions held in 2023/24 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.

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.

Organisational capability and development

With Group HR, the Committee assesses talent and succession across two key areas.

Succession planning. The Committee reviews the existing internal pipeline of talented individuals for 'ready now' and medium- to longer-term movement into key leadership and functional roles – including the Executive Directors, Group Executive Committee and Business Unit and Corporate Function leadership teams. This is subject to routine challenge to understand timing and readiness, alongside the breadth of internal potential, and experience represented by recent hires and external talent pools.

Building capability and capacity. The Committee considers targeted development and investment to build capability for the future, alongside the improvements in succession depth which are being delivered across tailored leadership interventions.

A number of external providers continue to support the above initiatives, which are designed to deliver the education, exposure, and experience required to deliver SSE's NZAP Plus. The Committee has continued to oversee talent programme participation and internal moves to stretch and develop future leaders, with an area of emerging focus being increased emphasis on learning and supporting career aspirations. This has resulted in the roll-out of a new SSE-wide performance management framework and learning pathways to support the critical capabilities SSE requires now and in the future.

Across the year, each member of the Committee attended talent sessions to share leadership experience with the talent pipeline and to allow the opportunity to engage in an informal setting. Outside of these sessions, engagement and exposure occurs through inviting colleagues to present at Board-level meetings, and through non-Executive attendance at business-led sessions and internal conferences. The open two-way dialogue is a key tool for observing and informally coaching emerging talent.

Coaching SSE's talent pipeline

Lady Elish Angiolini and SSE's Chief Commercial Officer participated in SSE's 2023/24 Career Development Programme, which is designed to develop leadership readiness and involves participation from individuals across all of SSE. Within the initial stages, the Chief Commercial Officer provided a leader's perspective of SSE's strategic situation as part of a session which explored the dynamic external landscape. Then together, with members of the Group Executive Committee, Lady Elish and the Chief Commercial Officer participated in an informal panel discussion on career pathways, followed by break-out discussions surrounding candidate experiences of SSE and current leadership challenges. Feedback provided insight into the SSE leadership journey and the impact of talent interventions.

Inclusion and diversity

SSE's Group-wide inclusion and diversity strategy is explained across pages 44 to 45 and in SSE's Inclusion and Diversity Report 2024 available on sse.com.

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.

Policy implementation is assessed through the specific review of the diversity characteristics which are present across Board and Board Committee membership, and by assessing progress and compliance against the targets it has set. More on SSE's Board Policy and targets is set out opposite. Through standing review of the policy during the year, a number of updates were approved. These centred on maintaining progress surrounding female representation in key Board roles and bringing alignment with pre-existing work on diversity within the Board Committees.

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 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 45.

In a commitment to providing counsel on SSE's approach, the Nomination Committee has reviewed diversity strategy and scorecards, covering:

- progress across ambitions and steps being taken to further an integrated business and leader-led approach to SSE's inclusion and diversity strategy;
- the foundations and strategic pillars of the two-year strategic inclusion and diversity plan;
- assurance activities which had been completed surrounding SSE's inclusion and diversity strategy; and
- continued focus on improving disclosure rates.

With strong support for the enhanced and increased frequency of contact with the executive teams, actions were reset through the 2023/24 Board evaluation for further work across the coming year.

Committing to enhanced ethnic minority representation

In response to the Parker Review recommendation for FTSE 100 companies to establish a target for ethnic minority representation within senior management, to be achieved by December 2027, the Committee reviewed SSE's position and an appropriate ambition to work towards. Considering existing baselines within SSE, the industry, and operating geographies, a level of 6% was endorsed. Progress will be monitored to ensure this target remains both credible and appropriately stretching. More detail on how this level was set can be found on **page 45**.

Board engagement on inclusion and diversity

Committee members have proactively engaged with all of the co-leads of SSE's employee-led Belonging in SSE communities and responded to requests for Board-level views and engagement on inclusion and diversity issues and approaches. This included a virtual Equity, Diversity and Inclusion (EDI) session with the Chair and employees from the SSEN Distribution business. The Chair shared his experiences of the approach and progress made in other organisations and listened to employee views on their personal experiences in SSE and areas for continued focus and improvement. Committee and Board endorsement for initiatives in this space was reconfirmed during the session, which included support for plans to recruit additional SSEN Distribution employees to act as EDI ambassadors. Feedback was also shared around the focus needed to ensure key messages and initiatives reach employees working across diverse operational and office locations.

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, experiences, and skills. The principles of equality, fairness, inclusion and diversity must be at the centre of everything it does, with SSE's teamwork value confirming we work together in an inclusive and collaborative way.

Policy principles

- Identify Board and Committee needs and the balance of diversity characteristics.

  See page 139.

- Adopt a formal and inclusive Board recruitment process.
- Engage executive search 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 139.

- 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 127, 141 and 142.

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 as at 21 May 2024. 45% rolling three-year female representation as at 31 March 2024.

- Have at least one woman in the roles of Chair, Senior Independent Director, Chief Executive or Chief Financial Officer.

  Target met. The role of Senior Independent Director is held by a woman.

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

  Target met. One ethnic minority represented across Board membership.

- Have at least one woman as a member of each of the Board Committees.

  Target met. At least two women sit on each of the Board's Committees.

Compliance against LR 9.8.6

As at the Company's chosen reference date, 31 March 2024, SSE confirms it has met the targets set out under FCA Listing Rule 9.8.6(9). In line with LR 9.8.6(10), as at the reference date, 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	58%	3	9	90%
Woman	5	42%	1	1	10%

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)	11	92%	4	10	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 Executive management within SSE is the Group Executive Committee including the Committee Secretary.

Gender is captured as sex for all employees at the onboarding stage and held on SSE's secure Enterprise Resource Management system, Harmony. SSE has 100% completion of sex data and this 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 completed 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

Focus areas in 2023/24

- Ensured business performance was fairly presented in financial reporting.
- Oversaw delivery of the internal control framework for financial reporting.
- Supported the transition in Audit Committee Chair and Chief Financial Officer.
- Established an assurance framework over non-financial reporting.
- Monitored SSE's GB Business Energy's transition to a new billing platform, Evolve.

Role of the Committee

The Audit Committee provides dedicated focus in the following areas.

Financial reporting

- Ensures the integrity of the Financial Statements.
- Assesses the appropriateness of accounting policies and practices.
- Evaluates significant financial judgements and estimates.
- Advises the Board on the fairness, balance, and comprehensibility of the Annual Report and Accounts.

External audit

- Monitors the independence of the external auditor.
- Oversees the non-audit services policy.
- Assesses the external audit.
- Recommends to the Board actions relating to the external audit contract, appointment, remuneration and engagement terms.

Internal audit

- Approves and oversees the implementation of the Internal Audit Plan.
- Assesses the effectiveness of the Internal Audit function.

Internal control and risk management

- Monitors risk management and SSE's System of Internal Control.
- Reviews the going concern and long-term viability statement.

The Committee's terms of reference are available on **sse.com**.

Membership and attendance

The membership of the Committee comprises five non-executive Directors. John Bason and Debbie Crosbie are considered by the Board to have recent and relevant financial experience. The Committee as a whole has competence relevant to the sector, with three members having significant experience in the energy sector.

Biographical details of the Committee members are found on **116 to 119**.

The Committee met four times in 2023/24 with attendance set out on **page 122**.

Dear Shareholder

I'm pleased to present my first Audit Committee report as Committee Chair, having taken on the role from Peter Lynas on 20 July 2023. I joined the Board, and became a member of the Committee in June 2022, and during the period prior to my appointment as Chair, I focused on familiarising myself with SSE and its financials. I would like to not only thank Peter for his support during this transition, but also especially recognise his 9-year service to the Audit Committee in his role as Chair.

The full contribution of Gregor Alexander, who stood down as Finance Director in December 2023, is detailed in the Chair's statement. The Audit Committee for many years has had the benefit of his in-depth knowledge of SSE, the external environment in which it operates, and his many years of experience in finance. He was succeeded by Barry O'Regan as Chief Financial Officer. Barry is a hugely capable successor and brings with him a breadth of knowledge and experience of both SSE and 19 years of experience in the energy sector and finance.

This was the fifth year that EY served as the External Auditor, and it was Annie Graham's last year as the lead audit partner. I oversaw the audit partner rotation process with Will Binns appointed as lead audit partner from the 2024/25 audit. I thank Annie for her strong leadership of the EY audit team and for providing visible and effective oversight of the external audit.

This report details the Group's Risk Management Framework and System of Internal Control, highlighting the progress made to enhance the assurance provided to the Committee and the Board. It also outlines the Committee's work to assure the integrity of the Annual Report and Financial Statements for the year ending 31 March 2024.

We recognise the importance of non-financial reporting and its value in providing insight to shareholders and other stakeholders into SSE's performance. As outlined further in this report, this year, the Committee has assumed responsibility for the monitoring of the key non-financial reporting performance metrics and ensuring that appropriate assurance of these metrics is in place.

We are committed to enhancing internal controls to protect SSE's shareholder interests now and in the future. During the year, we oversaw the design and implementation of a programme to assess and strengthen our financial controls, and which will enable us to comply with the regulatory reform which will apply to SSE's financial year ending 31 March 2027.

The Committee will oversee the ongoing implementation and the maturity of the financial reporting controls framework. This will be a key focus area in the years ahead.

The Committee also monitored the processes and controls relating to SSE's GB Business Energy's transtion to a new billing platform, Evolve. Further details on the Committee's role is set out within this report.

Finally, I would like to welcome Maarten Wetselaar who joined as a Committee member in September 2023.

The report which follows is split by the following areas:

- Governance;
- Financial reporting;
- External audit;
- Internal audit; and
- Internal control and risk management.

I hope you find this report informative and reflective of the Committee's work this year.

John Bason
Chair of the Audit Committee

21 May 2024

Committee evaluation

The annual review of Committee performance in 2023/24 was facilitated by Lintstock (see pages 136 to 137), and the Committee considered its output and agreed follow-up actions for 2024/25.

Actions identified by the 2022/23 evaluation included supporting the new Audit Committee Chair and further developing risk management and internal controls. These actions have advanced well in the year and will stay on the Committee's agenda for the year ahead.

Evaluation confirmed	– The evaluation confirmed that the Committee was operating effectively to meet its responsibilities, and the Board endorsed this view.
Actions for 2024/25	– **Internal Audit.** To make the reporting of the work of Internal Audit and its plans more accessible. – **Knowledge.** To increase the awareness and knowledge of Business Unit Finance Teams through presentations and reports from different Business Unit Finance Directors. – **Non-financial metrics.** To review, enhance and assure metrics for non-financial reporting.

Governance

Meeting process

The Committee has a structured plan of meeting topics, which maps to the Group's yearly financial reporting cycle. It reviews the plan and updates it as needed to adjust the focus of meetings. Committee work is concentrated on the key areas of financial reporting, external audit, internal audit, internal control and risk management.

To support effective governance and quality reporting, each meeting follows a set process:

- Before each meeting, the Committee Chair meets with the Chief Financial Officer, Director of Group Risk and Audit, EY (the 'External Auditor'), and the Deputy Company Secretary (the Committee Secretary). This pre-meeting ensures the Committee meetings are focused on key and emerging issues.
- Each Committee meeting is joined by the Board Chair, Chief Financial Officer, Director of Group Risk and Audit, the External Auditor and Committee Secretary. Senior finance and business managers are invited to some meetings to provide insight about specific business matters.
- All Committee meetings are scheduled before Board meetings to enable the Committee Chair to report to the Board and ensure an efficient and timely reporting process.

The Committee also has private meetings with the Director of Group Risk and Audit and with the External Auditor at least two times a year, in line with the financial reporting schedule. These allow open dialogue and feedback without management being present.

Financial reporting

Financial statements

This Annual Report aims to provide the information needed to assess SSE's position and performance, business model and strategy. The Finance Team worked alongside the External Auditor to make sure the level of disclosure was adequate and the alternative performance measures (APMs) were appropriate and consistent with IFRS.

The Committee reviewed the Half- and Full-year Financial Statements and considered several areas of significant financial judgement. It considered and discussed detailed reporting by management and the External Auditor to apply appropriate rigour to these areas. The Committee recommended to the Board the approval of the Financial Statements, the going concern statement, and the letter of representation to the External Auditor.

The Independent Auditor's Report on pages 324 to 335 sets out the approach to key audit matters.

Enhancing the approach to assuring non-financial information

The Committee continues to oversee work to enhance SSE's integrated assurance approach over non-financial information as a number of voluntary reporting frameworks transition into regulatory requirements. A dedicated update in the year confirmed:

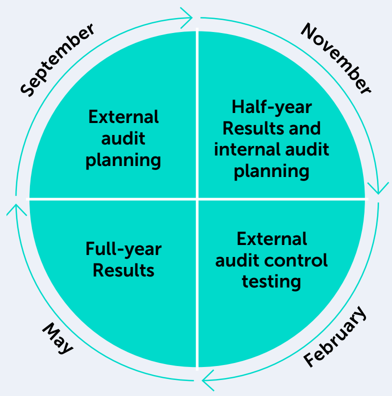
- the assurance activities currently adopted across SSE's principal non-financial reporting topics; and
- ongoing work to understand changing stakeholder expectations and needs in relation to non-financial disclosures.

This dynamic approach will ensure future and emerging developments are understood and implemented in an enduring and proportionate way across existing risk, governance and assurance processes. For the year ahead, the Committee will:

- continue to monitor the ever-changing regulatory landscape and any implications it has for SSE; and
- oversee the development and strengthening of a pragmatic and proportionate approach to SSE's governance, controls and integrated assurance over non-financial reporting.

Further details on non-financial and sustainability information, can be found in the related statement on page 108.

Financial reporting and audit cycle



Climate-related disclosures
The Committee plays a key role in overseeing and challenging SSE's climate related disclosures in both Half- and Full-year Financial Statements.

Senior management briefed the Committee on climate-related risks and opportunities and assurance arrangements in relation to climate-related disclosures.

The Committee makes recommendations to the Board as to whether these disclosures are fair, balanced and understandable in the context of SSE's Annual Report.

The Committee approved SSE's approach to integrate its climate-related disclosures throughout the Annual Report 2024 to make them more accessible and reflective of SSE's holistic approach to managing climate-related issues.

For further details, please see the Disclosure Statements outlined on pages 98 to 109.

The Committee also considered climate change and SSE's NZAP Plus in the preparation of the Financial Statements in order for it to approve the significant financial judgements and estimates.

Viability statement and going concern
The Committee reviewed and challenged management's assessment of SSE's long-term viability. The Committee was satisfied that the viability assessment process was robust and a 4-year assessment period remained appropriate.

The Committee also examined the supporting information to make a recommendation to the Board on Going Concern. The Directors concluded that both the Group and SSE plc as the parent company have sufficient headroom to continue as a Going Concern. In coming to this conclusion, the Directors considered sensitivities on future cashflow projections. In the unlikely event of not being able to access the revolving credit facility or otherwise refinance as required, the Group would be able to defer uncommitted capex, delay or defer dividend payments, and implement further cost reductions.

The Financial Statements are therefore prepared on a Going Concern basis (see A6.3 Accompanying Information to the Financial Statements).

Significant financial judgements and estimates
In 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 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 2023/24.

The Group's most significant financial judgement areas, some of which are also areas of estimation uncertainty, are outlined on pages 147 to 148.

The Committee considered the key facts and judgements outlined by management; and the External Auditor gave its professional view of the appropriateness of the judgements.

The Committee particularly considered how management's judgement and assertions were challenged by the External Auditor and the degree of professional scepticism shown during their audit of these areas. This included the adequacy of disclosures in the financial statements.

GB Business Energy's system transition
A significant area of focus for the Committee was monitoring the transition to a new billing platform, Evolve, for SSE's GB Business Energy which was successfully completed in 2024. Throughout the year, the Committee examined the controls and key business processes, which included the migration of data (customer accounts and balances). Updates were provided by both senior management on progress and the External Auditor on testing carried out. The Committee was satisfied that no significant audit or control deficiencies were identified.

The Committee also considered in the preparation of the Financial Statements the estimates in relation to the accrual for unbilled sales due to the timing of the data migration. The migration occurred in the second half of the financial year for the majority of SSE's GB Business Energy customers. This resulted in a high level of unbilled sales and required a level of judgement applied in determining the sales accrual for these customers was higher than in previous years. The Committee approved that the Group recognised a provision against this accrual to reflect that customer billing delays may result in poorer collection performance. Further details are set out in the Significant financial judgement and estimates table opposite.

For the year ahead, the Committee will continue to monitor the processes and controls to ensure they are operating effectively given the high volume of data migrated.

Assuring that this report is fair, balanced and understandable

Process
The Committee advise the Board and help the Directors to make sure the Annual Report is fair, balanced and understandable.

To evaluate whether the Annual Report is fair, balanced and understandable, and gives shareholders the necessary information to assess SSE's performance, business model and strategy, the following actions were taken:

- Factual content was thoroughly verified;
- The External Auditor reported on any material inconsistencies; and
- Comprehensive reviews were undertaken during the drafting process by:
  - The Directors and senior management team to make sure key messages in the Annual Report were in line with the Company's performance and strategy and that narrative sections were consistent with the Financial Statements;
  - Independent senior management to consider messaging and balance; and
  - SSE's brokers to ensure consistency and balance.

Conclusion
Management confirmed to the Committee that they had followed the assurance framework when preparing the Annual Report.

The Committee advised the Board that they considered the Annual Report, when taken as a whole, to be fair, balanced and understandable.

Significant financial judgements and estimates for the year ended 31 March 2024

Matters considered	How these were addressed by the Committee	Committee conclusions
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 certain property, plant, equipment and investment assets to determine whether any impairment or reversal of impairment of the carrying value of those assets needs be recorded. In the year ended 31 March 2024, as well as goodwill balances, the specific assets reviewed were intangible development assets and specific property, plant and equipment assets related to thermal power generation and gas storage. In addition, the Group also performed an impairment review over the carrying value of its equity investments in Neos Networks Limited and Triton Power Holdings Limited.	An annual impairment testing and valuation of certain non-current assets exercise is carried out by SSE Finance, with management presenting the outcome of this review to the Committee. 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 at A1.	The Committee reviewed and challenged the assumptions and projections in the management paper and considered the External Auditor's reporting and findings. Following this review, the Committee supported the judgements made and the recommendation to recognise an impairment of £134.1m in relation to Gas Storage Assets, £63.2m in relation to the Group's investment in Triton Power Holdings Limited and £73.6m in relation to the Group's investment in Neos Networks.
Retirement benefit obligations (estimation uncertainty)		
The assumptions in relation to the cost of post-retirement benefits during the period are based on the Group's best estimates and set after consulting qualified actuaries. While the assumptions are believed to be appropriate, a change in these would affect both the level of 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 and advice is taken from independent actuaries on the IAS 19 valuation of the schemes. The Committee considered how the schemes were valued and the External Auditor's findings on the scheme's key assumptions relative to market practice.	Following this review, the Committee supported the judgements made. See note 23 for details of the calculation basis and key assumptions, resulting movements in obligations, and the sensitivity of key assumptions to the obligations.
Revenue recognition – customers unbilled supply of energy (estimation uncertainty)		
Revenue from the energy supply activities of 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. See note 4.1 (iii) for details of the estimation. During the year, the Group's GB Business Energy segment completed the implementation and migration of customers to a new billing system. Due to the timing of the migration, which occurred late in the financial year for the majority of customers, the level of unbilled and the level of judgement applied in determining the sales accrual for these customers is higher than in previous years. The Group has recognised a provision against this accrual to reflect that customer billing delays may result in poorer collection performance. The migration of customer accounts and balances to the new billing system has also increased the level of estimation required in determining the recoverability of billed debt. This has been documented in note 4.3 (iii) of the Financial Statements. In recent years the impact of customer support schemes has been material to the judgement applied, though in the current year the level of judgement applied has reduced to an immaterial level. The accounting policy for customer support schemes and the balances claimed from government is explained in the Accompanying Information at A1.2. A change in the assumptions underpinning the calculation would affect the amount of other income recognised in any given period.	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 consumption patterns and aggregated metering data used in industry reconciliation processes. Furthermore, unbilled revenue is compared to billings in the period between the balance sheet date and the finalisation of the Financial Statements which has provided evidence of a catch-up of post implementation billings and hence support to the accrual recognised. Given the requirement of management to apply judgement particularly in the current year in relation to the impact of the data and process migration referred to above, unbilled 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 process, issues and assumptions in determining the estimation uncertainty and also considered the findings of the External Auditor.	The Committee considered the Group's processes for recognising bad debt provisions which are based on historic collection performance adjusted for expected future improvement or decline against this performance. In the current year, an estimate of expected deterioration in debt collection due to billing and collection delays has been included within the recognised provision. The Committee supported the estimate for revenue recognition from energy supply activities. Note 18 details the sensitivity associated with this judgement.

Significant financial judgements and estimates for the year ended 31 March 2024

Matters considered	How these were addressed by the Committee	Committee conclusions
Impact of climate change and 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 with a Paris-aligned 1.5°C 2050 net zero pathway. The Group has a clearly articulated NZAP Plus capex plan (set out on pages 12 to 13). This plan is supported by the Group's Green Bond framework under which the Group's sixth and seventh Green Bonds were issued during the year (see note 21). The proceeds of these Green Bonds were allocated to fund Renewable wind farm and Transmission network 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 were considered (see note 4.1(v) for further details): – Valuation and useful economic life of property, plant and equipment, and impairment assessment of goodwill; – Valuations of decommissioning provisions; – Defined benefit scheme assets; and – Funding requirements and impact on going concern and viability statements.	The Committee reviewed: – The disclosures relating to the implications of climate change, the NZAP Plus and related significant accounting judgements. – The approach taken by the TCFD Steering Group in this area – and was briefed by EY on the audit requirements associated with TCFD. This included the need for consistent disclosure throughout the Annual Report and the technical basis for those disclosures.	After a presentation on the proposed disclosures and the External Auditor's report on SSE's approach, the Committee approved the basis of reporting and related financial judgement disclosures included in the Financial Statements for the year ended 31 March 2024. See note 4.1 (v) for details of the sensitivity associated with this judgement.
Valuation of other receivables (financial judgement and estimation uncertainty)		
The Group continues to hold a £100m loan note due from Ovo Energy Limited following the disposal of SSE Energy Services on 15 January 2020. Due to accumulated interest, the loan is carried at £170.1m, which includes a small provision for expected credit losses recognised in accordance with the requirements of IFRS 9. The recoverability of this loan note continues to be a significant financial judgement. The Group has assessed the recoverability of this loan note and recognised a provision for expected credit loss in accordance with the requirements of IFRS 9.	The Committee considered the steps taken by management in assessing the significant financial judgements associated with the recoverability of the Ovo loan note including: – the assessment of publicly available and recent financial information; and – discussions with Ovo Energy Limited management. The External Auditor explained the work done to corroborate and challenge the position taken by management.	Following management's assessment of the recoverability of the loan note, the Committee considered the judgement to be appropriate. 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

Following a competitive tender process, EY was appointed by shareholders as SSE's external auditor for the financial year commencing 1 April 2019. EY was re-appointed by shareholders at the 2023 AGM and has continued to serve as SSE's External Auditor. The audit for 2023/24 was EY's fifth for SSE, with Annie Graham as lead audit partner since it's appointment. Annie Graham will rotate off as lead audit partner and will be replaced by Will Binns for the financial year ending 31 March 2025.

During the year, the Committee received a comprehensive audit plan from the External Auditor setting out the proposed scope and key audit matters (included in the Independent Auditor's Report outlined on pages 324 to 335), as well as their assessment of the key areas of risk. The audit plan and key risk assessment were reviewed and given appropriate challenge by the Committee to make sure underlying judgements were robust.

In relation to the external audit, the Committee:

– considered updates from the External Auditor on the 2023/24 audit plan and related actions;
– assessed the External Auditor's performance, independence and objectivity; and
– monitored the non-audit services provided by the External Auditor.

The Committee also reviewed the Group's Non-Audit Services Policy and approved, in advance, the non-audit services to be provided by EY during the financial year and related fees.

Finally, the Committee reviewed a report on the disclosure of information to the External Auditor and were satisfied that disclosure arrangements were appropriate.

External audit process and effectiveness

The Committee oversees the Group's relationship with EY to make sure the independence, quality, rigour and challenge of the external audit process is upheld. How the Committee reviews the effectiveness of the audit throughout the year is set out below:

Feedback to inform the review of the effectiveness of the external audit

External Auditor

- The External Auditor provided confirmation of its policies and procedures to maintain independence and points raised by the FRC's Annual Quality Review Inspection Report and any resultant remedial actions taken.
- The Committee also considered the FRC's Audit Quality Review report on EY's audit of the Financial Statements of Southern Electric Power Distribution plc for the year ended 31 March 2023, in which there were no key findings and only limited improvements required.

Audit Committee

- Reviewed the output from the yearly Audit Committee evaluation.
- Assessed the results of a survey of Audit Committee members, regular attendees and Group Finance.
- Considered the insights and quality of reporting from the External Auditor behind key accounting and audit judgements and the skill with which it had applied robust challenge and professional scepticism in dealing with management.

Management

- Assessed the feedback from a management survey of individuals subject to the external audit process.
- Received assurance on the disclosure process for providing information to the External Auditor.

Audit process

- Assessed delivery of the audit strategy and Independent Auditors' Report.
- Assessed the results of a survey completed by the audit partners on the external audit process.
- Assurance on the effectiveness of the audit quality processes at EY.

Conclusion

The Committee concluded that the External Auditor had delivered an effective external audit in line with the audit plan. The Committee was satisfied that the External Auditor had shown depth of knowledge and an appreciation of complex issues while bringing constructive, independent and objective challenge to management.

The Committee requested that debrief sessions were held between the External Auditor and the finance management teams across SSE to consider any areas to enhance the audit process and environment going forward.

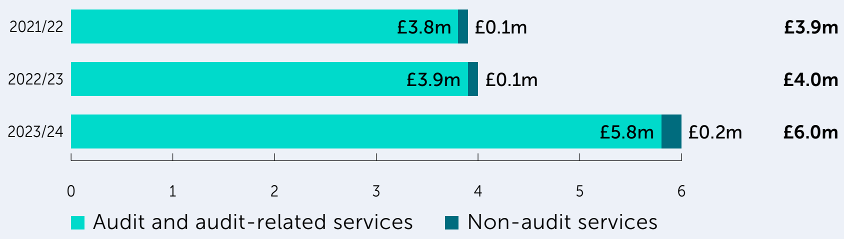
Independence and objectivity

In addition to the annual review of the effectiveness of the external audit, 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 partners and staff complied with their ethics and independence policies and procedures and that no employees working on the audit held shares in SSE plc.

External audit fees



External audit fees

At its meeting in September 2023, the Committee reviewed the audit fee proposal for the year to 31 March 2024 and discussed the factors driving the fee level increase with the External Auditor. The Committee considered benchmarking data for audit fees of peer companies and efficiency plans when agreeing fair commercial arrangements with the External Auditor. Audit fees in the current year include scope changes of £0.9m related to the prior year audit. Assurance and tax service fees incurred in the year were £0.3m. Audit related assurance services included fees incurred which mainly related to regulatory accounts and returns required by Ofgem and comfort letters in connection with funding and debt issuance. Non-audit services amounted to £0.2m.

The Committee was satisfied that the non-audit services were best handled by the External Auditor because of its knowledge of the Group and there was no threat to its independence. All non-audit services were approved in line with the Non-Audit Services Policy and the FRC Ethical Standard.

See note 6 to the Financial Statements for fees paid to the External Auditor during the year.

A summary of external audit fees is set out in the chart above.

Non-Audit Services Policy
The Non-Audit Services Policy governs certain non-audit services provided by the External Auditor to SSE, specifying which services are allowed and its approval process. The policy was updated by the Committee in 2023 to comply with the International Ethics Standards Board for Accountants and the policy is due to be reviewed in 2025.

SSE imposes a 70% cap on non-audit fees paid to the External Auditor – this is based on average audit fees paid over the previous three consecutive financial years.

The Committee monitors compliance with the policy and the cap on non-audit fees by receiving reports at each meeting detailing all approved non-audit services.

Re-appointment of the External Auditor
The external audit contract is put out to tender at least every 10 years. This will occur no later than 2029 in line with good 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 also concluded that given EY's capabilities, the effectiveness of the external audit and the relationship with SSE, it was in the best interests of the Company and shareholders to continue with EY, and did not currently anticipate that a tender process would be conducted before such a process is required, in 2029.

The Committee proposed to the Board that it seeks shareholder approval to re-appoint EY as External Auditor for the financial year ending 31 March 2025

Internal Audit

Internal Audit provides independent and objective assurance to management, the Committee and Board on the effectiveness of SSE's risk management activities, internal controls and corporate governance. Led by the Director of Group Risk and Audit, Internal Audit reports to the Committee and functionally to the Chief Financial Officer. The purpose, scope and authority of Internal Audit is defined in its charter, which is approved each year by the Committee.

The Committee was updated on the work of Internal Audit and reviewed, challenged and monitored the implementation of the 2023/24 Internal Audit Plan. It considered findings, audit actions, and challenged management to ensure remedial actions were delivered in a timely manner. The Committee was satisfied with the progress of the Internal Audit Plan in 2023/24.

The Committee regularly meets independently with the Director of Group Risk and Audit to discuss the results of audits and additional insights 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 assesses and reviews the independence and effectiveness of Internal Audit using a variety of inputs. These include receiving reports at each meeting, interacting with the Director of Group Risk and Audit, and reviewing the function's effectiveness each year.

During the year, Internal Audit was assessed using feedback received through a questionnaire to senior stakeholders across SSE, including the Committee, Group Executive and Directors of functions. Responses were consistently favourable, and the External Auditor also provided informal and supportive feedback. SSE carries out an independent, external quality assessment of Internal Audit every three years, with the most recent by PwC in November 2023. Considering all of this, the Committee concluded that the Internal Audit function effectively provided assurance over SSE's risks and controls.

Internal control and risk management

The Committee oversees and reviews the effectiveness of SSE's internal control system on behalf of the Board. This covers all material controls including financial, operational and compliance, as well as the financial reporting process.

Throughout the year, the Committee received updates on areas of financial controls, fraud risk effectiveness, cyber security and IT resilience, and ethics and compliance. Some examples of the areas considered, are:

– **Financial controls.** The Committee oversaw the design and implementation of a controls programme to assess and strengthen the financial reporting control framework which is aligned to the regulatory reform in the UK that will apply to SSE's financial year ending 31 March 2027. This involved establishing a process to update, monitor and report on the control framework and creating a Controls Centre of Excellence to lead on maintaining the controls environment. Transition to this model began on 1 April 2024. The Committee was pleased with the progress in this area and will oversee the ongoing maturity of the financial controls framework. This will be a key focus area for the Committee in the years ahead.
– **IT controls.** The Committee received regular updates on steps taken to deliver IT control improvements and resilience in order to build a strong controls framework in this crucial area. This included a review of the IT controls in relation to the migration of SSE's GB Business Energy to a new billing system. The Committee was pleased with the progress made on IT controls and will continue to monitor this area to ensure alignment with the coming regulatory requirements and to achieve a mature controls environment and sustainable compliance future at SSE.
– **Cyber security.** As part of an increased focus on cyber security controls, SSE has had a Security Culture Programme in place since 2018 to identify how to improve the assessment and maturity of its cyber controls. The strengths and weaknesses of SSE's cyber processes, as well as their ability to manage cyber risk and contribute to SSE's strategy, are continuously evaluated. The Committee monitored and assessed the key controls, risks and mitigations in place relating to SSE's cyber security and resilience. The Committee recognised this as an important area for SSE due to ongoing geopolitical instability and regulatory changes. The Committee was pleased with the progress made by the Cyber Team to create a strong culture and to embed a cyber controls framework to allow the identification of cyber threats and help reduce exposures.

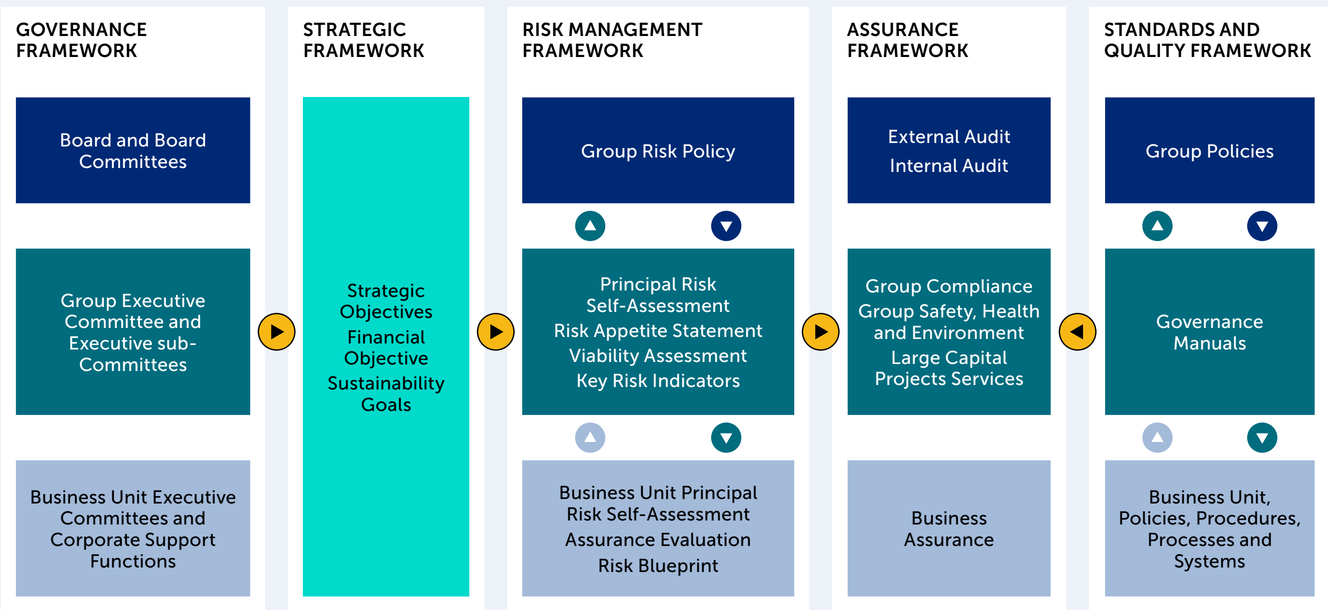
During the year, the Committee endorsed several improvements to the engagement and reporting of risks to the Board. These include an annual horizon scanning session facilitated by Group Risk and Group Strategy, and the inclusion of enhanced risk content in Board papers – all of which are in place as part of the 2024 Board reporting timetable. For details on SSE's Risk Management, see pages 179 to 181 of the Compliance Statement.

The Energy Markets Risk Committee oversees internal control and risk management in relation to SSE's energy market related exposures – see pages 150 to 151 for more.

Internal control and risk management effectiveness
The Committee was satisfied that SSE's internal controls operated effectively throughout the year. This conclusion was informed by an evaluation by key stakeholders of each of the frameworks of SSE's System of Internal Control. The Chief Financial Officer assessed these evaluations and provided the Committee with a letter summarising work done in the year to improve the control environment and a recommendation on the overall effectiveness of the system. The Committee also considered the assurance evaluations done each year by the Managing Directors of SSE's seven Business Units. These evaluations consider each framework of the System of Internal Control from a Business Unit perspective and include any planned improvements to controls. These improvements are tracked, with updates regularly given to the Group Risk Committee.

Following the Committee's review and recommendation, the Board agreed that SSE's System of Internal Control continues to be effective and was in line with the requirements of the FRC Guidance on Risk Management, Internal Control and related Financial and Business Reporting. The Board also confirmed that no significant failings or weaknesses were identified during the financial year. Processes are in place to make sure necessary action is taken, and progress is monitored where areas for improvement are identified.

System of Internal Control



Governance framework
Ensures focus on the key components of effective decision-making: clarity, accountability, transparency and efficiency. For details, see page 114 of the Governance Report.

Strategic framework
Includes SSE's Purpose, Strategy, goals, values, and business model and is the basis for all activity under the Risk Management Framework. For details, see pages 1 to 7 of the Strategic Report.

Risk management framework
Supports each Business Unit in managing risks and helps to ensure that the Board meets its obligations. This framework is underpinned by the fundamental principle that everyone at SSE is responsible for managing risk. See pages 85 to 86 for details.

Assurance framework
An integrated programme of audit and assurance activity that's independent of the day-to-day operations of the Business Units and corporate functions. It's 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 when delivering the Group's core purpose.

Energy Markets Risk Committee Report

Focus areas in 2023/24

- Oversaw arrangements and recommended actions in relation to SSE's approach to managing portfolio exposures, with focus on entering new geographical markets.
- Reviewed and recommended changes to certain SSE Energy Markets risk and control metrics.
- Reviewed and recommended actions in relation to SSE's approach to hedging to reduce exposure to commodity price variation and capture additional value.

Role of the Committee

The Committee monitors SSE's energy market risk exposures through work in the following areas.

- **Hedge approach.** Oversees and reviews SSE's hedging approach.
- **Energy market risk.** Assesses any potential emerging energy market issues and risks.
- **Internal control and risk management.** Reviews SSE's related internal control and risk management.

The Committee's Terms of Reference are available on **sse.com**.

Membership and attendance

The membership of the EMRC comprises five non-Executive Directors and two Executive Directors. The Chief Executive, the Managing Director of SSE Energy Markets, and the Committee Secretary routinely attend Committee meetings.

Biographical details of the EMRC members are set out on **pages 116 to 119**.

The Committee met four times in 2023/24 with meeting attendance on **page 122**.

Dear Shareholder

I am pleased to present the Energy Markets Risk Committee (EMRC) Report for 31 March 2024, which details the work of the Committee in overseeing SSE's energy market risk exposures, by ensuring an effective system of risk management controls and related processes in this area.

During the year, the EMRC's core duties remained unchanged, as we continue to have a central role in overseeing the governance arrangements in relation to SSE's approach to managing portfolio exposures. At each meeting, we examine and discuss reports of these exposures, consider any proposals from the Executive Team, and, where required, changes are recommended to the Board.

As a Committee, we reviewed analysis of SSE's approach to hedging, with the aim of confirming whether the hedge approach for the Group remained optimal. The EMRC supported and recommended to the Board the implementation of a revised approach to hedging. The updates were reflected in the hedging approach statement which was published as part of SSE's interim and preliminary results statements. The latest hedging approach statement can be found on pages 61 to 62. The EMRC will continue to assess any market developments and conditions and monitor exposures as they arise.

Should circumstances lead to any change in approach being required, these will be fully discussed, challenged, and appropriately reported.

The EMRC believes that SSE is well supported by its approach to hedging and that it continues to effectively manage changing credit and collateral requirements. To this effect, we also reviewed the related SSE Energy Markets governance controls and risk metrics to ensure that they remained appropriate. As a result, changes were recommended by the EMRC and approved by the Board.

We continue to be supported by an executive forum, the Group Energy Markets Exposure Risk Committee. This meets monthly and allows SSE's senior management to discuss and consider energy markets risks and exposures.

The Committee's performance was considered as part of the annual Board performance review, and I am pleased to report this found that we function effectively and that the Board takes assurance from the quality of our work. The Board further sees EMRC members as bringing a wealth of recent and relevant experience from across various industries.

Looking to the year ahead, the EMRC will continue to provide oversight of Group energy markets risk exposures, including those associated with any expansion into new markets. The EMRC will continue to monitor route to market and optimisation as well as SSE's trading capability, both to support SSE's asset portfolios and to manage volatility through risk-managed trading.

Given the ever-changing external environment, we will also focus on the impact, management, and mitigation of relevant macroeconomic and geopolitical events. This will include:

- the impact of any geopolitical risk arising from conflicts;
- commodity prices, volatility and inflationary pressures; and
- changes to regulatory requirements.

I would like to thank the members of the Committee for their dedication throughout the year, and the contribution they all provide in support of our work.

Tony Cocker
Chair of the EMRC

21 May 2024

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 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.

In September 2023, the hedge approach was revised with the aim to confirm whether the hedge approach for the Group remained optimal and reflected current market conditions. As a result, the baseline target hedge for renewable output was reduced from 85% to 80%, in addition to allowing gas-only forward hedging as an equivalent to electricity in periods of poor market liquidity.

Details of SSE's hedging approach and position are set out on pages 61 to 62.

Committee membership changes

Two changes in membership took place in 2023/24. Maarten Wetselaar joined on 1 September 2023, following his appointment to the Board, and brings extensive knowledge of capital and commodity markets from his career in the energy industry. In line with the transition of Finance Director to Chief Financial Officer, Barry O'Regan joined on 1 December 2023 succeeding Gregor Alexander. Barry brings a wealth of relevant knowledge and experience from his previous roles in SSE.

Committee evaluation

The EMRC's performance was reviewed in 2023/24 as part of the annual Board performance review (see pages 136 to 137). The results found the EMRC was highly effective, with the support it provides to the Board on energy markets risks, external energy markets developments and trading governance highly rated.

The action identified from this evaluation was to ensure the forward business planner continued to include updates on energy markets risk exposure related to new markets.

Actions identified by the previous evaluation in 2022/23 have been addressed and closed, including an action to further enhance the EMRC's forward plan to align with SSE's strategy and the macro-environment in which it is operating.

Meeting process and focus in 2023/24

The work of the EMRC is informed by a forward plan of business, which ensures the Committee carries out its responsibilities in line with its Terms of Reference. The forward plan is subject to review to capture any emerging issues and risks to SSE in respect of energy markets.

In advance of the scheduled meetings, the EMRC Chair meets with the Chief Commercial Officer, the Managing Director of SSE Energy Markets, and the Committee Secretary to ensure key and emerging issues are brought to the EMRC's attention as appropriate. Relevant senior managers can be invited to present certain items of business and provide additional levels of insight to technical areas of work.

Supporting growth and managing risk

During the year, the EMRC oversaw the transition of the SSE Energy Markets Business Unit to the primary decision maker for longer term trading periods, having successfully optimised SSE's energy assets in the short-term. The EMRC considered the related control environment and metrics to ensure that appropriate measures were in place to manage energy markets risk exposures.

The EMRC reviewed SSE Energy Markets' strategy to expand the ways that it independently adds value to the Group. This included proposals to increase trading in European power and gas markets to support the Group's growth ambitions and risk manage exposures in the UK.

In the year ahead, the EMRC will continue to play a key role in overseeing controls relating to trading and to manage energy markets risk exposures.

Further details of how SSE Energy Markets supports SSE's strategy, and its performance during the year, are set out on page 83.

The table below sets out details of the key focus areas and how these were considered by the EMRC during the year.

Key EMRC focus areas in 2023/24

Areas of focus	How these were considered by the EMRC
Overseeing SSE's hedging approach	– Monitored hedging arrangements, risk control metrics, counterparty credit risk exposures, and the liquidity of energy markets. – Supported the implementation of the revised hedging approach. – Received a report on the development of the Renewable Energy Guarantees of Origin (REGO) market and the hedging and risk management of the portfolio across SSE. – Endorsed the hedging approach and position on 31 March 2024.
Energy Markets Risks	– Provided with reports on emerging energy market issues and risks. – Considered key energy market risks, risk appetites and risk management controls and governance. – Received a report on reviews of GB and ROI energy markets. – Reviewed SSE Energy Markets' strategy to support entry to international markets for the asset businesses by providing route to market and optimisation services.
Internal Controls and Risk Management relating to Energy Market Exposures	– Considered a report on the key risks and control metrics arising from operations within SSE Energy Markets and recommended changes to the Board. – Received an in-depth review of risk control metrics. – Received reports from Internal Audit and details of resulting action plans related to SSE Energy Markets. – Reviewed minutes from the Group-level Energy Markets Exposure Risk Committee which provides executive level oversight of SSE's energy market exposures and their associated management.

Safety, Sustainability, Health and Environment Advisory Committee Report

Key focus areas in 2023/24

- Supported concerted efforts to improve contractor safety and standards.
- Reviewed employee health and wellbeing programmes and support.
- Reviewed SSE's ESG ratings and developments in sustainability reporting.
- Participated in and shared feedback from operational engagements.

Role of the Committee

The SSHEAC provides dedicated focus to the following matters.

- **Performance.** Reviews and monitors the Key Performance Indicators and other reporting measures being adopted by the Group in relation to safety, health and the environment and sustainability.
- **Leadership.** Supports and advises the Board on matters relating to safety, sustainability, health, and the environment.
- **Strategy and targets.** Reviews the effectiveness of SSE's strategy, initiatives, training, and targets, and the implementation of SSE's Group Policies relating to safety, sustainability, health and wellbeing, the environment, and climate change.
- **Competence and resources.** Monitors the resource, competence, and commitment in the management of safety, sustainability, health, and environmental issues to ensure continuous improvement.

The Committee's Terms of Reference are available on sse.com.

Membership and attendance

The membership of the SSHEAC comprises four non-Executive Directors; the Chair of the Board; the Chief Commercial Officer; the Chief Sustainability Officer; the MD, SSEN Distribution; the MD, SSE Distributed Energy; and the Safety, Health and Environment Director. An Assistant Company Secretary is the Secretary and the Chief Executive attends the meetings.

Dear Shareholder

I am pleased to present the Safety, Sustainability, Health and Environment Advisory Committee (SSHEAC) Report for 2023/24. 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 the environment. A more in-depth review of these areas can be found on pages 23 to 49 and in SSE's Sustainability Report 2024, which is available on sse.com/sustainability.

Very regrettably, there was a fatality in 2023/24 involving one of our contract partner's employees. The background to, and learnings from this incident, were fully examined by the SSHEAC and discussed with members of the Executive Team. This incident, SSE's current growth phase, and the resulting increase in contractor hours worked, has reinforced focus on our commitment to keep ours, and our partners' employees safe.

In support of this commitment, we have overseen the rollout of a new immersive training experience in which I was able to participate this year. The experience will help colleagues and contract partners to gain a deeper insight into the emotional impact of when something goes wrong. To allow maximum participation, SSE has invested in a dedicated training centre in Perth, Scotland, and has access to two facilities in London, Vauxhall and Immingham, Hull.

The SSHEAC's role in the delivery of SSE's NZAP Plus, is to monitor the implementation of SSE's safety, health and environment (SHE) strategy, including the roll out of initiatives and technology to reduce SHE risks and support SSE's overarching goal – that our people are safe, and we protect the environment whilst doing so, each and every day. This is underpinned by our commitment to ensuring that our Safety Family approach is a key driver of SSE's culture, and we regularly receive, and discuss with management, reports on safety performance, including safety incidents, audits and cultural assessments. I was also pleased to attend the SSE Safety Conference in June 2023 that looked at our SHE vision for the year ahead.

Good progress has been made in advancing employees' health and wellbeing with numerous new health and wellbeing services launched in 2022/23. A key focus for 2023/24 was to ensure that employees are aware of, and use, the available support. We would like to take the opportunity to recognise the work of SSE's wellbeing champions and mental health first aiders who play an important role in promoting the wellbeing agenda.

SSE operates in places that are home to a variety of valuable ecosystems and habitats. SSE's environment strategy is designed to ensure that environmental impacts and the natural environment are considered, and carefully managed. From creating suitable habitats at operational sites, supporting salmon on their impressive migrations along Scotland's rivers, to contributing to vital research – SSE's businesses have been playing their part in working sustainably with local partners to improve biodiversity.

SSE has a responsibility to influence the social impacts as the world transitions out of high-carbon activities and into a net zero world, and we're committed to a fair and just transition. SSE was the first company to publish a Just Transition Strategy in 2020, and progress updates in this area are published externally, including in the annual Sustainability Report which is reviewed and approved by the SSHEAC.

The SSHEAC continued to conduct a programme of site visits in 2023/24, supporting oversight of SSE's safety culture and enabling Committee understanding of the day-to-day safety challenges. This provided an opportunity to share feedback and agree actions to enhance working environments.

On behalf of the SSHEAC, I would like to thank all employees and those who work with SSE for their sustained effort, hard work, and commitment. I hope you find the report a useful explanation of how the Committee has supported, and provided oversight to the matters which form part of its remit.

Helen Mahy CBE
Chair of the SSHEAC

21 May 2024

Committee evaluation

The annual review of Committee performance was facilitated by Lintstock (see pages 136 to 137) and the outputs considered by the full Committee. This confirmed the Committee's continued effective operation and agreement of actions for 2024/25.

Evaluation confirmed	– The Committee has retained effective oversight of policies, targets and strategies; performance; risks; and disclosures and reporting, relating to safety, sustainability, health and the environment. – The breadth of topics covered by the Committee's agendas have evolved positively based on matters discussed within meetings. – A strong balance has been achieved between oversight, challenge, and support on key risk areas SSE's businesses are facing across safety, sustainability, health and the environment.
Actions for 2024/25	– **Contract partners.** Support effective communication of SSE safety standards to contract partners. – **Shared learning and best practice.** Share learnings from safety improvements in other sectors and ensure best practice is effectively communicated across Business Units so that it influences operations and forward plans. – **Reporting.** Review performance metrics in order to simplify management papers presented to the SSHEAC.

Meetings and focus in 2023/24

Committee agendas are structured around a pre-agreed annual plan of business which has been designed to support the Committee discharge its responsibilities. To ensure new and emerging topics can be covered as they arise, the plan remains flexible and is supported by close work with the Group Safety, Health and Environment Committee which reports to the Group Executive Committee. The Committee invites operational managers and specialists to attend certain meetings to gain a deeper level of insight on particular items of business.

In addition to Committee meetings, and to supplement the understanding of SHE and sustainability matters across operational sites, the members undertake an annual programme of site visits. The following pages provide an overview of the work and considerations of the Committee aligned to its key areas of responsibility.

SHE performance

Safety

The SSHEAC oversees SSE's safety performance using a number of different measures including 'Safe Days' and the rolling Total Recordable Injury Rate (TRIR).

The concept of 'Safe Days' is used to monitor and track safety progress and performance. On a 'Safe Day', for SSE or contract partners, there are no minor, serious, or major safety incidents; serious or major environmental incidents; or any incident with a high potential for harm to people or the environment. 231 Safe Days were achieved during 2023/24, compared to 255 in the previous year.

TRIR for employees' and contract partners' is used to conduct benchmarking and trend analysis. In 2023/24, the combined TRIR increased to 0.20 per 100,000 hours worked, compared to 0.19 in the previous year. SSE's TRIR has reduced from last year's level of 0.10 to 0.07. This reduction in SSE colleague incidents is indicative of SSE's efforts to ensure safety is everyone's priority and that we're all responsible for taking care of ourselves and each other. Contract partners' TRIR increased to 0.41, compared to 0.34 in the previous year. This reflects a significant increase in investment and construction, and the associated rise in contract partner hours worked building on the increases in the previous year.

There will be a separate TRIR performance expectation for 2024/25 for SSE of 0.09, and for contractors of 0.40.

As well as Business Unit plans and Group-wide safety activities, the SSHEAC noted specific actions throughout the year to support safety performance, such as hand safety, and annual summer and winter campaigns. The SSHEAC supported the "Take 10 for Safety" initiative, which was designed to ensure colleagues take dedicated time out to consider safety within the working day.

SSE's investment in an immersive training experience will see colleagues and contract partners getting a fresh insight into safety, the consequences of when things go wrong, their role in getting people home safe and the tools they can use to influence others to make that happen. The SSHEAC received updates on the rollout of the experience which has been well received, with 1,700 colleagues and contract partners having attended the immersive experience in London, Vauxhall and Immingham, Hull at the end of 2023/24. The opening of SSE's dedicated centre in Perth will now see an increase in the number of employees and contract partners who have access to the immersive facilities.

Contractor safety

With the fatality of one of SSE's contractor's employees, and in the context of contract partner incidents and the TRIR being higher than SSE's, the SSHEAC discussed how SSE can provide more rigour and support for contract partner focused safety initiatives, especially as the level of project delivery through partners has been increasing.

The SSHEAC received regular updates on contractor safety performance, as effectively managing contract partner safety is critical for SSE to meet its goal of having no life changing injuries. A key initiative, which the SSHEAC noted positive feedback from, was a Group-level event for contract partners, hosted by SSE, in November 2023. This event has been reinforced by a sustained Business Unit and SSE-wide engagement programme.

SSE's Contractor Safety Team, with feedback from the SSHEAC, has also been working to continually improve SSE's SHE specifications and standards for contractor partners and provide guidance for project management teams.

Over the coming year, the SSHEAC will support continued focus on building strong relationships with contract partners, and maintaining and reinforcing SSE's Safety Family approach and tools in the face of growth, new joiners and increased contractor hours.

Health and wellbeing

The SSHEAC has had a particular focus on expanding SSE's approach to physical and mental health and wellbeing to ensure that the challenges faced by colleagues across SSE are being addressed. To support this, the SSHEAC reviewed SSE's health and wellbeing strategy which is based on three key areas: 1. making it easier to do the right thing (ensuring that there are no barriers to people being able to access the help that they need); 2. service and support (ensuring that SSE efficiently operationalises the services it provides); and 3. making the uncomfortable, comfortable (continuing to use colleagues' stories to support others). To support the implementation of SSE's health and wellbeing strategy, the SSHEAC also reviewed medium-term and longer-term priorities.

To ensure that SSE works with organisations that support its health and wellbeing strategy and priorities, internal teams engaged with several external partners, such as British Heart Foundation, WeCare, and Samaritans. Initiatives to support employees' physical and mental health continue to be provided through Nuffield, SSE's Employee Assistance Programme and Thrive. An overview of the partnership initiatives was provided to the SSHEAC.

The SSHEAC has received regular updates and monitored fatigue management progress in SSEN Distribution, alongside the associated working hours controls. This includes managing fatigue risk during storms, given the different risk profile of these unique working conditions. Within its considerations, the SSHEAC recognises the business must be in a position to safely provide 24/365 cover, given the critical nature of its work and potential impacts on SSE's customer needs and vulnerabilities.

Environment Strategy
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. Since the strategy is built into SSE's strategic hierarchy of sustainability, the SSHEAC reviewed SSE's environment strategy for 2023/24 and an environmental plan for each Business Unit. The review of SSE's environment strategy considered wider environmental impacts under three pillars inspired, in part, by the UN Sustainable Development Goals: 1. environmental management and governance; 2. responsible consumption and production; and 3. the natural environment. An example of the review for the natural environmental pillar can be found below.

To support SSE's environment strategy and hold SSE accountable for performance, the SSHEAC also agreed a set of targets for 2024/25.

Performance
SSE's environmental incidents are categorised as major, serious, and minor incidents. In 2023/24, the total number of environmental incidents as a result of SSE's activities totalled 143 compared to 109 the previous year, the majority of which were minor. There were no major environmental incidents.

There was an increase in serious environmental incidents in 2023/24, increasing to 40 from 31 the previous year.

The key serious incident areas included SF6 leaks, oil related leaks, fluid filled cable leaks, and silt releases. The Group Safety, Health and Environment Committee endorsed a decision to conduct a deep dive into these incident areas with the outcomes and actions discussed by the SSHEAC. Minor environmental incidents increased to 103 from 77 in the previous year.

The increase in incidents reflects the increase in project and contractor activity, alongside improved incident reporting and a focus on maintaining SSE's governance processes to analyse reported incidents data.

Natural environment

The review of SSE's environment strategy considered wider environmental impacts under three pillars. The natural environment pillar relates to the conservation, restoration and sustainable use of the world's land and water resources; and promoting the integration of amenity, ecosystem and biodiversity improvement into business activities,

The SSHEAC reviewed the following Group goals for 2023/24.

- For onshore large capital projects, all SSE Business Units commit to delivering no 'net loss' in biodiversity on those consented from 2023 onwards, and 'net gain' in biodiversity on those consented from 2025 onwards.
- Data will be reported monthly and via a Power BI Report against projects in scope, to confirm compliance with the above target.
- Business Units will be supported in the development of natural capital toolkits to evidence compliance and to capture good practice.
- SSE's Environment Sub-group will support development of SSE's approach and deliverables on the natural environment.

The number of environmental permit breaches increased to 19 in 2023/24 from 9 the previous year, the majority of which were self-reported to the relevant environmental agencies. All incidents were dealt with quickly when identified.

Sustainability and environment, social and governance (ESG)

Climate adaptation and resilience
The SSHEAC considered the annual review of climate adaptation which discusses the Group-level approach to climate adaptation planning and reporting.

On a strategic level, the SSHEAC understands the desire from a wide range of stakeholders to understand SSE's resilience and management of the physical impacts of climate change on its assets and activities. The Committee also recognises that adaptation assessments and reporting are crucial to ensure that critical infrastructure is available even when weather and climate patterns change. The SSHEAC reviewed current and upcoming reporting requirements and the climate scenarios SSE is testing itself against.

Sustainability Report
In the reporting year, the SSHEAC reviewed the approach and plan for the Sustainability Report 2024. In light of increasing sustainability reporting requirements, this was considered in the context of the wider sustainability disclosures across SSE's corporate reporting suite. The SSHEAC reaffirmed the importance of the Sustainability Report, and the enhanced disclosures it provides surrounding SSE's performance against its key economic, social, and environmental impacts and goals. The SSHEAC continues to approve the report in advance of publication.

ESG ratings
One of the ways in which SSE's sustainability performance is assessed is through investor ESG ratings, which are of strategic importance to SSE and its stakeholders. The SSHEAC continues work to understand how the rating agencies judge SSE's performance and reviewed SSE's current ESG ratings performance in the year. Through this review, a number of actions and priorities were agreed to support continuous improvement.

ESG Gap analysis
The SSHEAC supported the first comprehensive ESG Gap analysis, against SSE's position, in 2022/23. To build on this, the Group Sustainability team carried out a follow up ESG Gap analysis in 2023/24 that looked at how the actions from the previous year were addressed, alongside their impact on SSE's ESG rating performance. Through

this work, the SSHEAC agreed additional areas of focus and 13 recommendations for 2024/25.

Nature related disclosures
The SSHEAC reviewed the planned Group-level approach to nature related disclosures in the context of developments in sustainability-related reporting requirements and SSE's current nature-related disclosures. The Committee endorsed the steps being taken to monitor and work towards future reporting developments in this area.

SHE strategy 2024/25

The SSHEAC reviewed SSE's SHE strategy 2024/25 and the safety, health and wellbeing, and environmental priorities and plans for the upcoming year, supported by the SHE risk matrix and SHE assurance plan. The strategy is built on three pillars: 1. safety (occupational and process safety); 2. occupational health and wellbeing; and 3. the environment. The SSHEAC continues to review activities under these pillars as well as the effectiveness of the strategy, initiatives, training, and targets. As part of the SHE plan 2024/25, the SSHEAC reviewed Business Unit SHE plans for 2024/25.

Members of the SSHEAC during their visit to Orkney

Site visits

The SSHEAC continue to conduct an agreed programme of site visits to support and engage with colleagues in different operating environments. For 2023/24, the programme covered the following locations.

- **Keadby 1 & 2 sites and Control Room.** The station represents a vital next step in the UK's journey to net zero, with plans already in place for the next generation of low-carbon power stations situated at Keadby.
- **Salisbury Solar and Battery site.** The project is part of SSE's ambitious capital investment plan to accelerate progress to net zero in its role as the UK and Ireland's clean energy champion.
- **Stronsay 33kV.** Located on the remote island of Stronsay on the Orkney Islands, the project is at an early stage of execution with civils/ground works only recently underway.
- **Medway.** The power station is a gas-fired combined cycle gas turbine (CCGT) power station on the Isle of Grain in Kent. SSE is exploring options to decarbonise its energy generation at Medway through emerging CCS and hydrogen solutions to ensure the site can continue to provide essential flexible power in a net-zero world.
- **Orkney Stores Yard and Power Station; Stronsay 33kV project (see opposite).** The Orkney Islands are home to some of the world's greatest resources of renewable electricity, from established onshore wind, to emerging marine technologies.

The SSHEAC site visits for 2024/25 are already agreed and will be reported on next year.

A dedicated feedback template which is completed following each visit ensures that feedback is collected, acted upon, and reported back to the SSHEAC; and supports the adoption of best practice and shared learning across SSE's Business Units.

The feedback from visits was encouraging with teams working hard to have a positive impact on SSE's culture, the environment, and local communities. Detailed safety briefings were also received on arrival at each site.

A report of the visit to Orkney, which illustrates a summarised feedback template, is provided below.

Visit to Orkney

Helen Mahy (Chair of the SSHEAC), Tony Cocker (non-executive Director), and Chris Burchell (MD, SSEN Distribution) visited Orkney Power Station and Stores Yard in August 2023. The purpose of the visit, was to gain insight into the maintenance of technical and service support for remote populations on islands distant from Orkney and the main island itself. Below is a summary of the takeaways from the visit.

If it's not safe, we don't do it
The team was confident in using their safety licence and that local management would take their concerns seriously and act appropriately. An improvement opportunity was identified and acted upon, resulting in a SHE risk board being updated and Safety Family Language and golden rules being more visible across the site.

We take pride in our work and our environment
The site is of historical significance which is a source of great pride to the team working there.

We take care of ourselves and each other
The team is well integrated, with close working relationships. A good degree of engagement and relaxed conversation indicated a positive culture on the site.

We plan, scan and adapt
Local teams must regularly demonstrate flexibility in how they approach work given the remote location. Efficient teamwork and engagement were visible across the site, with a town hall session between the team and SSHEAC members providing for good and open discussion.

What would make it easier for people to do the right thing?
Digitisation of work schedules is underway with a plan to utilise the same digital screen to share key SHE messages and important information.

Remuneration Committee Report

Key focus in 2023/24

The key areas of focus in the year included:

- Understanding the market and governance landscape.
- Setting and reviewing annual and long-term incentive plan targets.
- Confirming appointment terms for the new Chief Financial Officer and agreeing retirement terms for the out-going Finance Director.
- Reviewing below-Board pay arrangements.
- Agreeing base salary and fee levels for Directors.

Role of the Committee

The Remuneration Committee determines and agrees SSE's broad policy for executive remuneration, ensuring that it is appropriate, enhances personal performance and rewards individual contributions towards the long-term sustainable success of SSE.

In addition, the Committee is responsible for linking remuneration to SSE's strategy, purpose and values.

The Committee's Terms of Reference are available on **sse.com**.

Membership and attendance

The membership of the Committee comprises four non-Executive Directors and the Chair of the Board. The Company Secretary and Group General Counsel is Secretary, and the Director of HR and Director of Reward provide advice to the Committee. The Chief Executive may also attend the meetings but is not present for any discussion about his own remuneration arrangements. Biographical details of the Committee members can be found on **pages 116 to 119**.

The Committee met three times in 2023/24 with attendance on **page 122**.

Dear Shareholder

The Directors' Remuneration Report aims to set out clearly and simply the rationale for and detail of Directors' remuneration and covers:

- Linking remuneration to strategy
- Delivery and performance
  - Annual incentive outcomes
  - Long-term incentive outcomes
  - Changes to base salary
- Board changes in the year
- Remuneration Policy review

Linking remuneration to strategy

The current Directors' Remuneration Policy was approved at the July 2022 Annual General Meeting with over 91% support.

Our approach to pay is designed to support execution of SSE's purpose to provide energy needed today while building a better world of energy for tomorrow. The performance measures and targets for the Annual Incentive Plan (AIP) and the longer-term Performance Share Plan (PSP) are directly linked to SSE's 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.

Sustainability is at the heart of SSE's strategy. Progress is measured by business goals for 2030 that align with four specific UN Sustainable Development Goals. Progress against these goals, which are detailed on page 25, are linked to the vesting of awards made under the PSP from the 2022 grant onwards. Shareholders also approved 'strategic' incentive measures in 2022 which assess progress towards the successful delivery of the Net Zero Acceleration Programme Plus (NZAP Plus). This means that 30% of the shares awarded under the new PSP, vesting for the first time next year, are linked to sustainability, either directly through sustainability measures or through strategic measures by virtue of the NZAP Plus. 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 Plus.

Alongside sustainability and operational excellence, we encourage a strong focus on financial performance and value creation across our incentives.

The expansion of the business into new geographies means we are increasingly exposed to international pay trends and our policy needs to be able to adapt accordingly. Our current 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 growing and competitive markets, and the deployment of new technologies requiring specific skills.

Delivery and performance

SSE met its financial objectives in 2023/24 with the value-generating nature of its diversified business mix offsetting the impact of unfavourable weather on renewables output, and the normalisation of trading conditions for thermal generation. SSE also invested £2.5bn in the clean energy infrastructure needed for net zero. With quality assets, a world-class project pipeline and a strong balance sheet, the Group remains on course to meet growth targets culminating in Adjusted Earnings Per Share of 175-200 pence at the end of the five-year NZAP Plus in 2026/27.

Annual incentive 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. We reviewed the measures in 2022 to support the delivery of the NZAP Plus and longer-term goals. During the year, the operational measures have been strengthened with further key performance objectives within each of the businesses identified in conjunction with SSE's leaders.

Financial objectives were met in 2023/24 and progress was made in respect of operational performance related to the NZAP Plus. Performance against external sustainability indices has, once again, been strong with upper quintile ranking achieved across all indices for the second year running.

The Committee was saddened by the death of Richard Ellis, the employee of a contract partner, in an offsite incident, and our thoughts are with his family, friends and colleagues. This incident overshadowed an improvement in safety among direct employees, with a Total Recordable Injury Rate (TRIR) matching our best performance year. Contractor safety continues to be an area of focus for us with performance in the year resulting in contractor TRIR falling below SSE's expected standards. As a result, the Committee decided to reduce overall outturns to 40% of the maximum 10% achievable in this area.

The outturn for the 2023/24 AIP is 69% of the maximum. The Committee believes that the outcome is a fair representation of overall performance and the stakeholder experience. In line with the policy, 33% of the award is deferred into shares for three years. The AIP scorecard is shown on pages 166 to 168.

Long-term incentive outcomes

The PSP awards granted in June 2021 are due to vest following the 2023/24 financial year, subject to financial, operational, and value-creation performance conditions measured over the three-year performance period ending 31 March 2024.

We objectively assessed the vesting outcome against the performance measures and targets set. Total Shareholder Return against a European utilities peer group performed particularly well over the three-year period, as did the Adjusted Earnings Per Share growth targets, with both elements paying out in full. A formulaic assessment resulted in an outturn of 62% of the maximum award. We agreed that the vesting outcome for these awards was appropriate and no discretion was required. More details on the performance measures, targets, and performance outturns are set out on page 169 and 170.

Changes to base salary

In reviewing the base salaries of Executive Directors, we considered SSE's performance and shareholder returns, progress against the NZAP Plus, and the changing responsibilities of their roles. We also considered the pay arrangements of the wider employee population and the increase to the pay budget which was just over 6% including pay progression costs.

We take a broad approach to benchmarking and in recent years have used the FTSE 20-50 (excluding financial services) as our main comparator group where our market capitalisation is in the upper quartile. Our 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 our growth plans unfold, we will continue to monitor pay trends and levels across the FTSE 50.

Taking these factors into consideration, we agreed that the base salary increase for Alistair Phillips-Davies should be 4.5%. Martin Pibworth's role has increased in scope following Gregor Alexander's retirement from the Board. In particular, he is now responsible for the Procurement and Logistics function, which oversees a very large capital spend relative to others in our industry across Europe with an anticipated spend of £4 billion per annum for the next five years. His base salary will increase by the same 4.5% as other executives, plus an additional 4.5% to recognise the expansion of his role.

Barry O'Regan's salary increase upon appointment to the Board was set out in the 2023 Annual Report and further details are provided below.

Board changes in the year

After 21 years on the Board and 33 years' service with SSE, Gregor stepped down from the Board as Finance Director on 30 November 2023 before retiring from SSE on 31 March 2024. He continues to be the Chair of SSEN Transmission's Board and a Director on the Board of Neos Networks Limited. His leaving arrangements with regards to pay were in line with policy and he was treated as a 'good leaver'. He was paid in the usual way up to the point that he stepped down from the Board. His AIP has been pro-rated and he received no grant in respect of the PSP in 2023. He will be required to retain a shareholding for at least two years following the date of cessation of employment in line with the policy.

Barry joined the Board as Chief Financial Officer on 1 December 2023. Last year in this report, we set out his proposed pay arrangements. His home base remains in Ireland and on joining the Board, he was initially paid a Euro base salary of the equivalent of £600,000 a year. His 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, subject to review. Even once these increases have been implemented, base salary will be c.9% lower than Gregor's 2023/24 annual salary equivalent. All other pay arrangements are in line with policy.

Remuneration Policy review

The current Director's Remuneration Policy will expire at the end of its normal three-year lifespan at next year's AGM. We will consider if the policy is appropriate and flexible enough to recognise the planned growth and ambitions of the business and will also take into account developments in market practice, corporate governance and changes within our own business.

I look forward to engaging with shareholders and their representatives to understand their views on any potential changes in approach.

Summary

In the meantime, we plan 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 2024 Directors' Remuneration Report or on any remuneration matters. I can be reached through SSE's Company Secretary and Group General Counsel, Liz Tanner, at liz.tanner@sse.com.

Melanie Smith CBE
Chair of the Remuneration Committee

21 May 2024

Committee evaluation

The annual review of Committee performance was facilitated by Lintstock (see pages 136 and 137) 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	– The Remuneration Committe's performance was highly rated overall. – It continues to function well and receives expert input.
Actions for 2023/24	– Continue to ensure SSE's Remuneration Policy aligns to its leadership needs now and in the future. – Maintain oversight of the approach to wider workforce pay and continue to consider this, as appropriate, within Committee work.

Remuneration at a glance

Strategically aligned remuneration

Across SSE, remuneration is simple, transparent and aligned with our strategic Net Zero Acceleration Programme Plus (NZAP Plus). It incentivises and rewards performance in a sustainable way while creating value for shareholders and society. Sustainability is at its heart and it is underpinned by our core values which promote doing the right thing.

In setting remuneration policy for Executive Directors, the Remuneration Committee seeks to ensure that pay is equitable, competitive and appropriate. It thoroughly considers incentive performance measures to ensure strong strategic alignment and a balance of financial, strategic, operational and sustainability measures with stretching targets. The diagram below illustrates how Annual Incentive Plain (AIP) and Performance Share Plan (PSP) performance measures link to strategy.

Our strategy is 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.

Incentive measure	Link to strategy
Annual Incentive Plan	
Adjusted Earnings Per Share Underlying measure of financial performance	A strategic KPI and a measure of value creation
Cashflow Net debt-to-EBITDA ratio	Measures financial stability and the ability to make future investments critical to the NZAP Plus
Personal Individual objectives for each Executive Director	A range of objectives specific to each individual Executive Director set in order to support NZAP Plus delivery
Operational Safety performance Operational performance Capital delivery	Considers safety and wellbeing performance for both employees and contract partners Considers delivery against SSE's key operational targets Considers progress in relation to SSE's significant capital projects
Sustainability Ranking in three external sustainability indices	Scored against a range of factors that support the transition to Net Zero and our culture of 'Doing the right thing'
Performance Share Plan (from 2022 onwards)	
Total Shareholder Return Relative to FTSE 100 Relative to MSCI European Utilities index	Measures of value creation relative to relevant peer groups across the UK and Europe
Adjusted Earnings Per Share growth Compound annual growth plans based on SSE's three-year plan	A strategic KPI and a measure of value creation over the longer term
Strategic Performance in relation to progress against the NZAP Plus	The NZAP Plus is our strategy in action
Sustainability Cut carbon intensity by 80% Increase renewable energy output fivefold Enable low-carbon generation and demand Champion a fair and just energy transition	Four core business goals linked to the UN Sustainable Development Goals which support SSE's transition to net zero

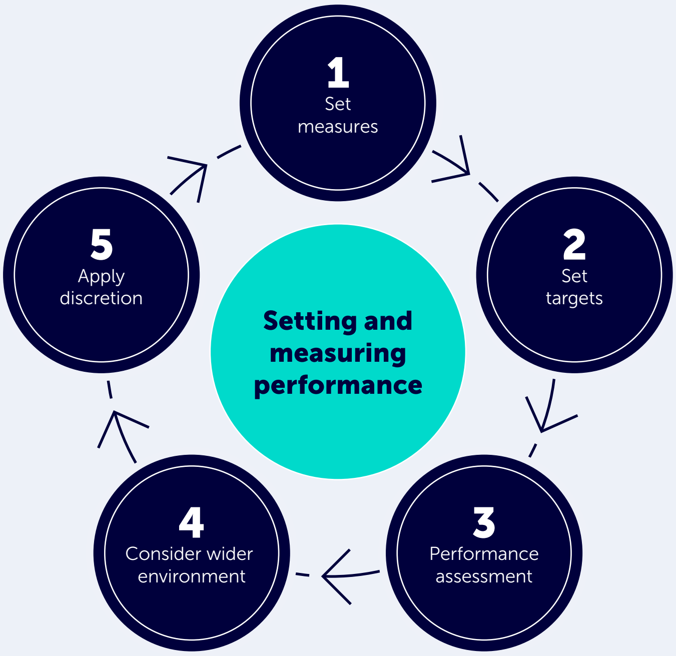
Directors' Remuneration Policy in action

The current Directors' Remuneration Policy was approved in 2022 with over 91% shareholder support. It will be renewed in 2025 at the end of its three-year life span in line with reporting regulations. The Remuneration Committee is responsible for ensuring the effective operation of the Policy and the illustration below shows how it is intended to operate in 2024/25.

	Element	Max	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Fixed pay	Salary	Set with reference to pay increases to the wider employee population	Salary paid					
	Benefits	Market competitive	Benefits paid					
	Pension	Final salary and top up/pension allowance	Pension accrual/allowance paid					
Variable pay	Annual Incentive Plan (AIP)	CEO 150% of salary CCO and CFO 130% of salary 67% cash, 33% deferred shares	Performance period	AIP cash paid AIP deferred share awards granted	Holding period		Deferred AIP awards vest	
	Performance Share Plan (PSP)	CEO 250% of salary CCO and CFO 225% of salary	PSP awards granted	Performance/holding period		PSP awards vest	Holding period	Holding period ends

Setting and measuring performance

The Remuneration Committee is responsible for designing and determining measures and targets for variable pay for Executive Directors, and for approving payouts. It follows a clear process annually which is used for both the Annual Incentive Plain (AIP) and the longer-term Performance Share Plan (PSP). This is described in the diagram below.



1. Set measures
The Committee agrees a set of performance measures aligned to strategy as described on the previous page. AIP measures are financial, operational and sustainability-focused, and PSP measures are designed to encourage sustainable value creation, consistent with effective stewardship and encouraging good decision-making for the long term.

2. Set targets
Stretching performance targets are set at the beginning of the performance period and are disclosed in the Annual Report unless commercially sensitive. The performance range is set on a realistic basis but requires true outperformance for the maximum to be achieved. See the case study below for an example of target setting in action.

3. Performance assessment
Performance is assessed at the end of the performance period. Formulaic assessment is carried out where possible, and any measures requiring judgement use an objective scoring framework to mitigate any bias.

4. Consider wider environment
While the range of performance measures used ensures performance is assessed using a balanced approach without undue focus on a single measure which could be achieved at the expense of wider initiatives, the Committee also considers the wider environment including but not limited to, wider market factors and company performance in the round. It is also mindful that some of the wider group performance measures for employees are influenced by overall performance assessments and that this should feel fair and proportionate.

5. Apply discretion
Should the Committee believe that the performance outturn following assessment is not appropriate in the context of the wider environment, it will use discretion to adjust the outturn. The Committee has used discretion to reduce the value of incentives in four out of the last eight years however, this year, it has decided that the formulaic assessment of incentive plans is appropriate and has not applied discretion.

Setting new operational targets

When planning for 2023/24 and beyond, the Committee took a fresh look at all the incentive measures and felt there was a possible gap with how success was measured in the Annual Incentive Plan. The NZAP Plus plan has created new opportunities and demands on the business and it is important that key areas of delivery within the plan are fairly targeted. With this in mind, the Committee felt that a new suite of operational measures were required.

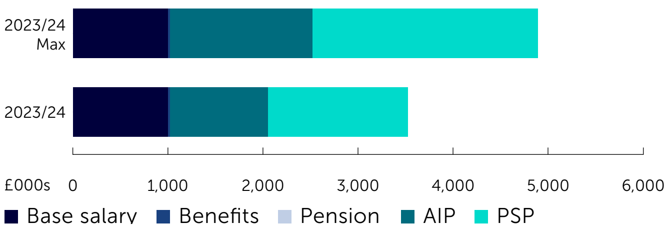
SSE management were tasked with identifying key operational performance areas within each of the businesses, and defining measures showing threshold and maximum outcomes. These were discussed in detail with the Committee leading to further refinement before a final suite of measures was agreed. The new measures have a greater focus on project delivery, capital spend and safety.

A report was produced at year-end detailing performance outcomes supplemented with details explaining how performance was achieved and noting any other areas which proved important during the year not captured in the metrics. This report covered both areas of success and disappointment. The Committee considered both quantitative and qualitative information and had a robust discussion before reaching a conclusion on overall outcomes. As can be seen on page 167 the final outcome of the Operational section of the AIP was 53%.

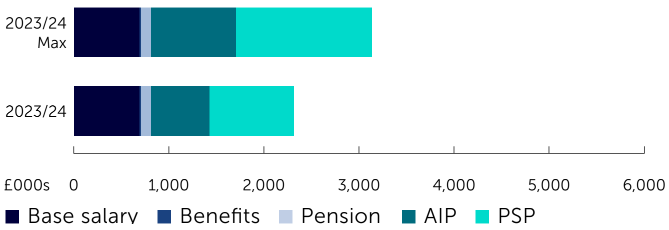
Single total figure of remuneration outcomes in 2023/24
In 2023/24 there has been a reduction in remuneration of 23% compared to the previous year. While base salaries were increased by 5%, the overall pension figure is lower due to the valuation of the Chief Executive's defined benefit pension, and incentive outturns are also lower following very strong performance in the previous year.

The charts below provide an illustration of the single total figure of remuneration for 2023/24 for the Chief Executive and Chief Commercial Officer (i.e. the Executive Directors with two full years pay) relative to the maximum remuneration available over the same period.

Chief Executive



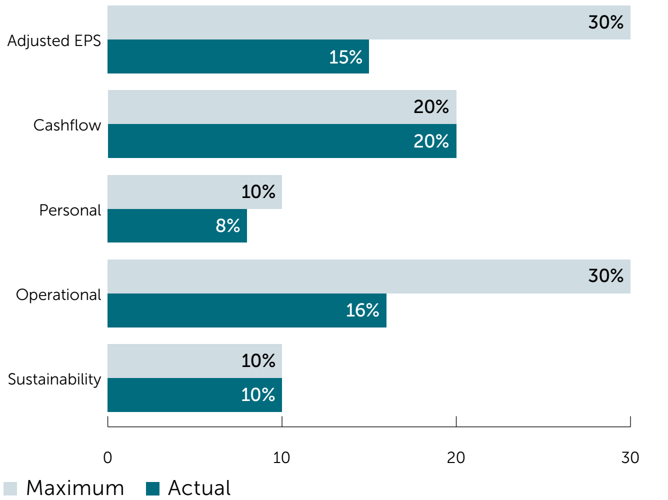
Chief Commercial Officer



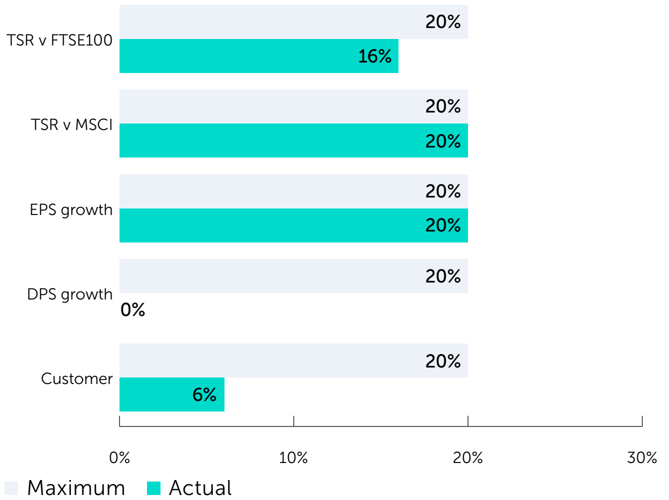
Incentive performance
The Annual Incentive Plan (AIP) requires broad performance across a range of financial and strategic metrics which are set at the beginning of the financial year. For 2023/24, performance was assessed at 69% of the maximum opportunity.

Under the 2021 Performance Share Plan (PSP), which matures in 2024, a range of value creation, financial and operational performance metrics are assessed. Performance has been assessed at 62% of the maximum opportunity. The charts below summarise performance against the metrics for each of the plans.

Annual Incentive Plan

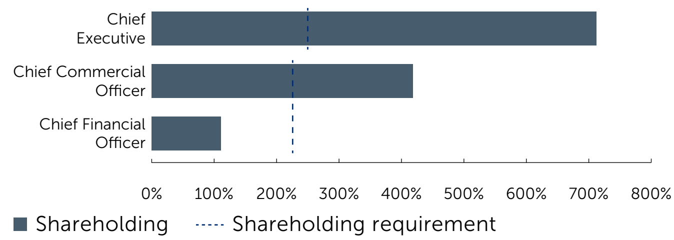


Performance Share Plan



Executive shareholding
Executive Directors are required to maintain a holding of SSE shares in order to align their interests with those of SSE's shareholders. The Chief Executive is expected to have a shareholding equivalent to 250% of base salary. Other Executive Directors are expected to maintain a shareholding of 225% of base salary. As a newly appointed Executive Director, the Chief Financial Officer is expected to build up his shareholding over a reasonable period of time.

Shareholding (% of base salary)



Annual report on remuneration

Key:

AUDITED

Table content that sits under the amber Audited rule has been subject to audit.

IMPLEMENTATION

Table content that sits under the tuquoise Implementation rule is planned for implementation in 2024.

This section sets out what each Executive Director was paid for the financial year ending 31 March 2024 and explains what they will be paid for the 2024/25 financial year.

1. Single total figure of remuneration (audited)

The table below shows the single total figure of remuneration for each Executive Director over the last two years. There has been a year-on-year reduction in remuneration of 23%.

There was a reduction in total fixed pay due to the valuation of defined benefit pension for Alistair Phillips-Davies. The figure is based on the capitalised pension accrual during the period. Due to the high CPI figure required in the calculation, this value was negative, and the amount shown in the table is zero in line with reporting regulations. Gregor Alexander was also an active member of a defined benefit pension scheme up until his 60th birthday, a matter of days into the 2023/24 financial year.

Variable pay has also reduced as a result of lower Annual Incentive Plan (AIP) and Performance Share Plan (PSP) outturns compared to the previous year when performance was very strong.

Gregor Alexander stepped down from the Board as Finance Director on 30 December 2023 and Barry O'Regan joined the Board as Chief Financial Officer on 1 December 2023. In line with the disclosure in the 2023 Annual Report, Gregor's salary, benefits and AIP have been pro-rated to reflect his Board service, and any outstanding PSP awards are pro-rated to reflect the elapsed time between the start of the performance period and the date of cessation of employment on 31 March 2024.

Barry's pay is determined in sterling and then converted into euros for payment. The table shows his remuneration in sterling and where applicable, an exchange rate of £1:€1.1492 has been used. This was the 12-month average exchange rate preceding his appointment.

Gregor and Barry have each received additional remuneration for roles fulfilled outside their Board service which is not shown in the table below.

AUDITED

		Fixed pay				Variable pay			
£000s		Base salary	Benefits	Pension	Total fixed pay	AIP	PSP	Total variable pay	Total
Alistair Phillips-Davies	**2023/24**	**999**	**20**	**0**	**1,019**	**1,034**	**1,472**	**2,506**	**3,525**
	2022/23	952	27	367	1,346	1,256	2,174	3,430	4,776
Gregor Alexander	**2023/24**	**515**	**18**	**0**	**533**	**462**	**995**	**1,457**	**1,990**
	2022/23	736	24	260	1,020	841	1,470	2,311	3,331
Martin Pibworth	**2023/24**	**688**	**19**	**103**	**810**	**617**	**887**	**1,504**	**2,314**
	2022/23	655	18	127	800	750	1,100	1,850	2,650
Barry O'Regan	**2023/24**	**203**	**7**	**24**	**234**	**179**	**–**	**179**	**413**
	2022/23	–	–	–	–	–	–	–	–
Total	**2023/24**	**2,405**	**64**	**127**	**2,596**	**2,292**	**3,354**	**5,646**	**8,242**
	2022/23	2,343	69	754	3,166	2,847	4,744	7,591	10,757

The following sections provide more detail on each element of pay including any underlying assumptions, calculations and narrative to explain the figures.

Base salary

In setting base salary, the Remuneration Committee takes into account a range of internal and external factors including performance, progress against the NZAP Plus, total shareholder returns over the year, wider workforce pay, the increasingly competitive market for talent and relativity to the FTSE 20-50 peer group.

In 2022/23, salaries were increased by 5% and with effect from 1 April 2024, the Chief Executive's base salary is to be increased by 4.5%. This is lower than the pay budget for the wider workforce which was typically increased in the range of 6% to 6.5%.

The Chief Commercial Officer's role has increased in scope following the Finance Director's retirement from the Board. In particular, he is now responsible for the Procurement and Logistics function, which oversees a capital spend which is currently one of the largest in Europe and growing in line with the NZAP Plus. His base salary will increase by 9% which includes a normal salary increase of 4.5% and a further increase of 4.5% to recognise the expansion of his role.

Ahead of his appointment to the Board on 1 December 2023, it was agreed that the new Chief Financial Officer's salary would be £600,000 increasing to £650,000 from 1 April 2024, and to £700,000 from 1 April 2025, subject to review.

	AUDITED			IMPLEMENTATION	
£000s	2022/23	% increase	2023/24	% increase	2024/25
Alistair Phillips-Davies	952	5.0%	**999**	4.5%	1,044
Gregor Alexander	736	5.0%	**515**	n/a	n/a
Martin Pibworth	655	5.0%	**688**	9.0%	750
Barry O'Regan	n/a	n/a	**203**	8.3%	650

Benefits

Appropriate benefits are provided to Executive Directors taking into account market practice at similarly sized companies and the level of benefits provided to the wider workforce. Core benefits include car allowance or company car, private medical insurance and health screening. They can also participate in SSE's all-employee share schemes on the same terms as other employees.

The values shown in the table below represent the cost to the Company of providing benefits to Executive Directors. In line with the choice available to the wider employee population, part way through the year, the Chief Executive opted to participate in the Company's car scheme which has a lower associated cost than the car allowance he was in receipt of previously. This resulted in a reduction in the overall benefits value for the year.

No changes are proposed to benefits in 2024/25.

	AUDITED		IMPLEMENTATION
£000s	2022/23	2023/24	2024/25
Alistair Phillips-Davies	27	**20**	In line with 2023/24
Gregor Alexander	24	**18**	n/a
Martin Pibworth	18	**19**	In line with 2023/24
Barry O'Regan	n/a	**7**	In line with 2023/24

Pension

SSE's pension arrangements for all employees depend on when they joined the Company. This is also true for Executive Directors whose arrangements align to other employees with similar levels of service.

The Chief Executive is a member of the Southern Electric Pension Scheme, and his plan membership predates his Board appointment. He participates in the same defined benefit pension arrangements that were available to all employees recruited at that time. The scheme closed in 1999 and the service costs are 32.5% of salary. This is a funded final salary pension scheme and the terms of the scheme apply equally to all members. The Chief Executive's service contract provides for a possible maximum pension of two thirds final salary from the age of 60. An approved pension is payable from the scheme, with the balance of the pension entitlement met directly by the Company through an Unapproved Unfunded Retirement Benefits scheme (UURBS).

The former Finance Director was an active member of the Scottish Hydro-Electric Pension Scheme (SHEPS) up to his 60th birthday in April 2023, on the same terms as described above.

The Chief Executive and former Finance Director, in common with all other employees who joined at the same time (27 and 33 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 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.

The former Finance Director retired from employment with SSE on 31 March 2024 after stepping down from the Board on 30 November 2023.

His terms of employment provided for a pension of around £491,000 payable from age 60. This pension is provided by two schemes, SHEPS and an UURBS. He had the option to request that the SHEPS element of his pension (£118,000) be payable from the date he left employment. As noted above, he had the option to request that a portion of his pension provided through the UURBS (£306,000) be paid as a commuted lump sum, with £67,000 being put into payment. As with previous similar requests (including that of the former Chief Executive in 2014), the Committee considered this request and, in light of the financial health of the Company and the circumstances surrounding his departure, agreed a commuted payment of £6.9m. In the Committee's judgement, and that of its actuaries, this was deemed to be cost neutral to SSE. The calculation reflected the fact that his UURBS pension was paid later than his normal retirement age of 60.

The pension values shown in the single total figure of remuneration table for the Chief Executive and the former Finance Director represent the increase in capital value of pension accrued over one-year times a multiple of 20 (net of CPI and Directors' contributions) in line with statutory reporting requirements. The value of the defined benefit pension for the Chief Executive is based on the capitalised pension accrual (net of CPI inflation) during the period, less the direct employee contribution of £22,400. Due to the high CPI figure required to be used in the calculation, the outcome of this calculation was negative £164,800. As the aggregate value of these elements is negative, in line with the Directors' Remuneration Report regulations, the amount included is zero.

The actual pension accrued by the Chief Executive and former Finance Director during the year is shown in the table below:

£000s	2022/23	2023/24
Alistair Phillips-Davies	549	**597**
Gregor Alexander	461	**1**

The Chief Commercial Officer, who has been with SSE since 1998, receives a cash allowance in lieu of pension contributions at 15% of base salary which is in line with the employer contribution for the majority of SSE's employees, taking into account length of service. This follows a phased reduction from 30% of base salary.

The new Chief Financial Officer participates in the SSE Ireland Pension Scheme which is a defined contribution arrangement. The Company makes contributions equivalent to 12% of base salary aligned to the policy for new appointments and that of the majority of employees.

	AUDITED		IMPLEMENTATION
£000s	2022/23	2023/24	2024/25
Alistair Phillips-Davies	357	**0**	No change
Gregor Alexander	260	**0**	n/a
Martin Pibworth	127	**103**	No change
Barry O'Regan	n/a	**24**	No change

Annual Incentive Plan

The Annual Incentive Plan (AIP) requires broad performance across a range of financial and strategic metrics which are set at the beginning of the financial year. For 2023/24, performance was assessed at 69% of the maximum opportunity for Executive Directors other than the Chief Financial Officer who received a lower outturn for the personal element of the AIP on account of his recent appointment, resulting in an award of 68% of the maximum opportunity. A detailed performance scorecard is shown on the following pages.

The total award is made up of 67% paid in cash, and the remaining 33% as shares deferred for a period of three years. The former Finance Director's and the new Chief Financial Officer's awards have been pro-rated to reflect their respective Board service.

AUDITED

	AIP award for 2023/24			
£000s	Maximum opportunity as % of base salary	AIP cash	AIP deferred as shares	AIP total
Alistair Phillips-Davies	150%	**693**	**341**	**1,034**
Gregor Alexander	130%	**462**	**0**	**462**
Martin Pibworth	130%	**414**	**204**	**617**
Barry O'Regan	130%	**120**	**59**	**179**

AIP Performance Scorecard

AIP measures and a summary of performance are shown in the table below. The outturns have been arrived at by applying formulaic assessment (where possible), judgement, logic, and relativity to past performance. Further details of the performance of each measure is provided beneath the scorecard.

As part of their performance assessment, the Remuneration Committee has also considered SSE's performance in the round and against our pay principles. It is satisfied that the outcomes noted below are appropriate and reflective of performance in the year, and agreed that no further discretion should be applied.

	Measure	Weighting	Threshold	Maximum	Outcome	Performance (% of max)	Outturn (% of total bonus))
Financial (50%)	**Adjusted Earnings Per Share (EPS)** Underlying measure of financial performance and a strategic KPI	30%	143p 49%	175p	158.5p	49%	15%
	Cashflow Net debt to EBITDA.	20%	3.5 100%	3.0	3.0	100%	20%
	Personal Assessment against a range of personal objectives set at the beginning of the year	10%	Rating 1 80%	Rating 5	Rating 4+ *(Rating 4 for new CFO)*	80% *(70%)*	8% *(7%)*
Strategic (50%)	**Operational** Operational goals relating to safety, capital delivery and operational performance	30%	See details below 53%		Majority of goals at or above target	53%	16%
	Sustainability Sustainability performance independently assessed relative to peer groups	10%	Median ranking 100%	Upper quintile ranking	Average 91st percentile	100%	10%
Total							69% *(68% for CFO)*

Adjusted Earnings Per Share (30%)
Adjusted Earnings Per Share for 2023/24 were just below budget for the year resulting in a 49% outturn for this measure using a formulaic assessment.

Cashflow (20%)
The Cashflow metric for 2023/24 has performed well at 3.0 resulting in a 100% outturn for this measure based on a formulaic assessment.

Personal (10%)
Executive Directors have detailed personal objectives which are set and agreed by the Committee at the start of the year, and subsequently assessed at year-end based on judgement, logic, and relativity to past performance. As a substantial majority of objectives set were at or above target, the Chief Executive and Chief Commercial Officer were rated 4+ on a 1 to 5 rating scale. This resulted in an 80% outturn for this measure. As the Chief Financial Officer is new in role, the Committee determined a rating of 4 and an outturn of 70% would be appropriate. The table below provides a summary.

Summary of objectives set	Summary of performance assessment
Safety, financial performance, strategy and transformation, operational performance, stakeholder management, team and personal development, and inclusion and diversity.	Overall, a good performance year. Financial performance was in line with expectations despite a tougher operating environment. Seagreen was delivered and first power achieved at Slough Multifuel. Construction underway in onshore Europe. Strong progress made in SSEN Transmission with the ASTI projects and a major supplier framework arrangement put in place. Good progress made in SSEN Distribution to set it up for the future. A strong year for Energy Customer Solutions with a new billing system implemented. Progress at Dogger Bank was slower than anticipated and progress remains a key area of focus. Safety was strong for SSE staff and a disappointing start for contract partners was improved in the second half of the year. The flagship immersive safety training was delivered to over 1,300 staff with a purpose built centre launched in Perth.

Operational (30%)
At the beginning of the year the Committee reviewed and set key operational measures which come under one of three distinct areas worth 10% each; safety; capital delivery; and operational performance. The Committee reviews both targets set and also considers broader performance in each of these areas when determining overall outturns. In 2023/24 most goals were assessed at being at or above target and this resulted in a 53% outturn. The table below provides a summary.

Measure	Factor	Summary performance	Weighting	Performance outcome	Outturn
Safety	Overall employee and contractor safety performance including TRIR	Despite strong SSE employee safety performance well ahead of target TRIR and a lowest ever sickness absence level of 4.2 days per year, the Committee decided that overall outturns should be reduced as a result of both a below target contract partner TRIR and the contract partner employee fatality (described in more detail on page 154 onwards).	10%	40%	4%
Capital delivery	Large capital project (LCP) performance, SSEN Distribution capex, SSEN Transmission RAV, SSE Renewables pipeline, Energy Customer Solutions (ECS) billing system	LCP performance – Seagreen completed, Dogger Bank construction slower than planned, Viking and Slough Multifuel progressing well. SSEN Distribution capex increased by 20% on previous year. SSEN Transmission RAV significantly outperformed. SSE Renewables pipeline – 1GW in Poland, 500MW in Ireland, 400MW in Scotland. ECS billing system fully implemented.	10%	65%	7%
Operational performance	SSEN Distribution incentive performance, SSEN Transmission network reliability, SSE Renewables availability and production, SSE Thermal availability and reliability	SSEN Distribution incentive performance below target against a backdrop of 10 named storms. Achieved 95% of the available reward through the 'Energy Not Supplied' (ENS) incentive. Challenging year for SSE Renewables availability and production. Lower than expected SSE Thermal availability/reliability offset by strong performance from Great Island, Medway and Peterhead.	10%	54%	5%
Total			30%	53%	16%

Sustainability (10%)
Since 2022, SSE has linked AIP to sustainability through a measure which assesses performance against three external sustainability indices which rank SSE against a peer group based on a number of ESG metrics. High thresholds were set with a maximum outturn only available for upper quintile performance. SSE's average performance is in the 91st percentile (an increase from the 85th percentile the previous year), and so the outturn is 100%. The table below provides details.

Measure	Factors considered in ESG assessment	Assessment	Weighting	Performance outcome	Outturn
Moody's ESG Assessment (Electric & Gas Utilities – European peer group consisting of 65 companies)	Environment; Human Resources; Human Rights; Community Involvement; Business Behaviour; Corporate Governance.	Score: 71/100; 91st percentile; Upper quintile (Oct 23)			
Sustainalytics ESG Risk Rating (Electric Utilities subindustry – global peer group consisting of c.270 companies)	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.	Score: 20.4; 90th percentile; Upper quintile (Aug 23)			
S&P Global CSA (Electric Utilities peer group – global peer group consisting of c.270 companies)	26 different categories which cover all the above and additional issues such as Policy Influence, Information and Cyber Security, Talent Attraction and Retention, Stakeholder Engagement, and Climate Strategy.	Score: 72/100; 91st percentile; Upper quintile (Mar 24)			
	Average Ranking; 91st percentile;	Upper quintile	10%	100%	10%

IMPLEMENTATION

AIP – performance measures for 2024/25
There will be no changes to AIP quantum for 2024/25.

AIP measures in 2024/25 will remain largely unchanged. Adjusted Earnings Per Share and cashflow remain key measures for the AIP. Targets are set annually and are aligned with the NZAP Plus and take into account wider market factors. These will be disclosed in next year's Directors' Remuneration Report.

	Measure	Weighting
Financial (50%)	**Adjusted Earnings Per Share (EPS)** Underlying measure of financial performance and a strategic KPI	30%
	Cashflow Net debt divided by EBITDA	20%
Strategic (50%)	**Personal** Assessment against a range of personal objectives set at the beginning of the year	10%
	Operational* Operational targets relating to safety, capital delivery and operational performance	30%
	Sustainability Sustainability performance independently assessed relative to peer groups by three external ratings agencies – Moody's, Sustainalytics and S&P Global	10%

Examples of the operational measures that will be considered are as follows:

- Safety: employee and contractor safety performance
- Capital delivery: LCP performance, SSEN Distribution capex, SSEN Transmission RAV, SSE Renewables pipeline
- Operational performance: SSEN Distribution incentives, SSEN Transmission network reliability, SSE Renewables availability and production, SSE Thermal availability and reliability

Performance Share Plan

The Performance Share Plan (PSP) is a long-term incentive plan whereby a grant of shares is made to Executive Directors before vesting to them three years later subject to performance conditions which are designed to encourage sustainable value creation, consistent with effective stewardship and encouraging good decision-making for the long term. Under the 2021 PSP, which matures in 2024, a range of value creation, financial and operational performance metrics are assessed. Performance has been assessed at 62% of the maximum opportunity. Shares awarded are subject to an additional two-year post-vesting holding period.

The table below provides details of the 2021 PSP award vesting in 2024. The estimated value is based on the average share price in the three months up to 31 March 2024 of £16.70 and the proportion of the award associated with share price appreciation is 10%. As the award will not vest until after publication of this report, the actual value on vesting will be restated in next year's report.

AUDITED

2021 PSP Award Vesting

	Maximum opportunity as % of base salary	Share awards available	Additional awards in respect of accrued dividends	Total number of shares vesting	Estimated value of awards vesting £000s	Share price appreciation £000s
Alistair Phillips-Davies	200%	122,131	20,009	88,126	1,472	138
Gregor Alexander	175%	82,597	13,531	59,599	995	94
Martin Pibworth	175%	73,597	12,055	53,104	887	84
Barry O'Regan	n/a	–	–	–	–	–

The new Chief Financial Officer will receive his first grant under the PSP in 2024 which will vest in 2027. In the interim, he will continue to receive awards which were granted before he joined the Board under the below-Board LTIP, the Leadership Share Plan (LSP). As this award does not relate to his Board service, it has not been reported in the total single figure of remuneration table. The value of the award vesting under the LSP in 2024 will be £212,424.

PSP Performance Scorecard

PSP measures and a summary of performance are shown in the table below. The outturns have been arrived at by applying formulaic assessment which the Remuneration Committee have reviewed taking into account the wider environment. They believe that the outcomes are fair in the context of wider performance over the three-year period, in particular the value created for shareholders and taking shareholder interest into account.

	Measure	Weighting	Threshold	Maximum	Outcome	Performance (% of max)	Outturn (% of total award)
Value creation (40%)	**TSR FTSE 100** Relative share price (plus dividends) performance against FTSE 100	20%	Median ranking	Upper quartile ranking (79%)	Rank 31 of 95	79%	16%
	TSR MSCI Relative share price performance against the MSCI European Utilities Index	20%	Median ranking	Upper quartile ranking (100%)	Rank 6 of 24	100%	20%
Financial (40%)	**EPS growth** Real growth in EPS over the three-year performance period	20%	Growth equal to RPI	Growth in excess of RPI + 10% (100%)	In excess of RPI+ 10%	100%	20%
	DPS growth Real growth in DPS over the three-year performance period	20%	Growth equal to RPI (0%)	Growth in excess of RPI + 5%	Below RPI (in line with policy)	0%	0%
Operational (20%)	**Customer – SSEN Distribution** Customer service ranking in the DNO customer service league tables	10%	Median ranking (0%)	Upper quartile ranking	Below median	0%	0%
	Customer – SSE Business Energy Customer service ranking in the Citizens Advice non-domestic energy supplier league table	10%	Median ranking	Upper quartile ranking (60%)	Average rank 5 out of 16	60%	6%
Total							62%

PSP – performance measures for the 2024 award
There will be no changes made to PSP quantum for the 2024 award.

In 2022, the PSP measures were amended, and the first award assessed under the new measures will reach maturity in 2025. There are no changes proposed to the measures at this stage, and the award granted in 2024 will use the same measures as the previous two years. These are shown below.

Measure	Description	Weighting	Threshold	Maximum
TSR FTSE 100	Relative share price performance against FTSE 100	20%	50th percentile (20% outturn)	80th percentile (100% outturn)
TSR MSCI	Relative share price performance against the MSCI European Utilities Index	30%	50th percentile (20% outturn)	80th percentile (100% outturn)
Adjusted Earnings Per Share	Growth targets in line with SSE's plan over three years linked to the NZAP Plus	20%	165p (20% outturn)	200p (100% outturn)
Strategic	Performance in the four main areas of the implementation of the NZAP Plus	15%	Details below	
Sustainability	Performance linked to SSE's UN Sustainable Development Goals 2030	15%	Details below	

The Strategic measure will be based on the Remuneration Committee's assessment of SSE's performance in relation to the following:

Strategic area of the NZAP Plus	Measures and targets
Renewables	Aiming to achieve around 9GW of development pipeline subject to sell downs, consenting and achievable returns while maintaining financial discipline
Networks growth	Achieve RAV growth in SSEN Transmission at or above £7.5bn (on current 75% ownership basis) and SSEN Distribution above £6.5bn subject to adjustment for any Board approved sell downs
Energy businesses	Solar and battery installed capacity to meet 1GW by FY27
Customer	On course to be a leading PPA player in the market by FY27

The Sustainability measure will be linked to SSE's 2030 business goals which are aligned to four of the UN's Sustainable Development Goals as follows:

UN SDG	Measures 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 – SSE Renewables output TWh tracked to 2027/28 – SSE 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 within SSEN's electricity transmission network area by 2027 – Low-carbon technologies connected to SSEN's local electricity distribution networks area 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 continued thought leadership on just transition, as recognised in external benchmarks

Non-Executive Directors' Remuneration
This table below sets out what each non-Executive Director was paid for the financial year ending 31 March 2024 relative to the previous financial year.

There have been a number of changes to the Board and it's Committees over the course of the year, as follows:

- Sue Bruce and Peter Lynas stepped down from the Board on 31 March 2023 and 20 July 2023 respectively
- Elish Angiolini was appointed as non-Executive Director for Employee Engagement and Melanie Smith became Remuneration Committee Chair on 1 April 2023, succeeding Sue Bruce who previously held both roles
- John Bason was appointed as the Audit Committee Chair on 20 July 2023, succeeding Peter Lynas
- Maarten Wetselaar joined the Board on 1 September 2023
- Helen Mahy was appointed as Senior Independent Director from 1 November 2023, succeeding Tony Cocker who remains on the Board as a non-Executive Director and Chair of the Energy Markets Risk Committee.

AUDITED

£000s	2022/23	2023/24
Elish Angiolini	75	**96**
John Bason	62	**93**
Sue Bruce	104	**n/a**
Tony Cocker	109	**107**
Debbie Crosbie	75	**79**
Peter Lynas	94	**30**
Helen Mahy	90	**104**
John Manzoni	412	**433**
Melanie Smith	75	**99**
Angela Strank	75	**79**
Maarten Wetselaar	n/a	**46**

IMPLEMENTATION

Non-Executive Directors' Fees 2024/25
Fees are typically reviewed annually in a way that is consistent with wider remuneration policy, and relative to other companies of a similar size and complexity. In 2023/24, the Chair's fee and the base non-Executive Director fees were increased by 5%, in line with Executive Directors' salary increases. Fees for Committee Chair roles and the non-Executive Director for Employee Engagement were slightly larger to reflect the increased time commitment required of these roles.

Once again, the Chair and base non-Executive Director fee will increase in line with Executive Directors at 4.5% for 2024/25. A review of independently sourced benchmark data suggested that fees for the various Committee Chair roles and the Non-Executive Director for Employee Engagement had fallen behind the FTSE 20-50 peer group and as such, further increases were recommended to reflect the time commitments associated with these roles.

Fee levels for 2024/25 are shown in the table below.

£000s	2023/24	2024/25
Chair fee	433	**450**
Base fee	79	**82**
Senior Independent Director	20	**25**
Audit Committee Chair	20	**25**
Remuneration Committee Chair	20	**25**
Energy Markets Risk Committee Chair	17	**20**
Safety, Sustainability, Health and Environment Advisory Committee Chair	17	**20**
Non-Executive Director for Employee Engagement	17	**20**

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 2024.

			Number of shares			Number of options		
	*Shareholding requirement as a % of salary (Actual/% met)	Shares owned outright at 31 March 2024	Interests in shares, awarded without performance conditions at 31 March 2024 (DBS Awards)	Interests in shares, awarded subject to performance conditions at 31 March 2024 (PSP Awards)	Interests in shares, awarded subject to performance conditions at 31 March 2024 (LSP Awards)	Interests in share options, awarded without performance conditions at 31 March 2024	Interests in share options, awarded subject to performance conditions at 31 March 2024	Shares owned outright at 31 March 2023
Director								
Alistair Phillips-Davies	712% (250% – met)	431,416	64,564	391,986	–	–	–	359,184
Gregor Alexander (Resigned 01/12/23)	729% (225% – met)	341,488	43,249	176,789	–	–	–	292,815
Martin Pibworth	418% (225% – met)	166,083	37,229	240,859	–	2,338	–	130,006
Barry O'Regan (Appointed 01/12/23)	111% (below 225%)	40,294	8,682	0	48,156	–	–	0
Elish Angiolini		2,000	–	–	–	–	–	2,000
John Bason		2,117	–	–	–	–	–	0
Tony Cocker		5,000	–	–	–	–	–	5,000
Debbie Crosbie		2,000	–	–	–	–	–	2,000
Peter Lynas (Resigned 20/07/23)		5,000	–	–	–	–	–	5,000
Helen Mahy		3,310	–	–	–	–	–	3,310
John Manzoni		2,622	–	–	–	–	–	2,519
Melanie Smith		2,174	–	–	–	–	–	2,174
Angela Strank		2,152	–	–	–	–	–	2,152
Maarten Wetselaar (Appointed 01/09/23)		4,000	–	–	–	–	–	0

* Shareholding requirement:
The Shareholding requirement is 250% of base salary for the Chief Executive and 225% for other Executive Directors.
Price used to calculate shareholding requirement as % of salary as at 28/03/24 £16.5000
Shares owned outright include holdings of any connected persons.

Directors' Long-term Incentive Plan interests

Deferred Bonus awards granted in 2023 and PSP awards granted in 2023

The tables below shows the Deferred Bonus awards and PSP awards granted to Executive Directors in 2023.

Deferred Bonus Awards Granted 2023
(in relation to the AIP payable for 2022/23)

Recipient	Date of Grant	Shares Granted	Market Value on date of award	Face Value
Gregor Alexander	01/06/2023	14,945	£18.80	**£280,966**
Barry O'Regan	01/06/2023	2,783	£18.80	**£52,320**
Alistair Phillips-Davies	01/06/2023	22,310	£18.80	**£419,428**
Martin Pibworth	01/06/2023	13,316	£18.80	**£250,341**
				£1,003,055

PSP Awards Granted 2023

Recipient	Date of Grant	Shares Granted	Market Value on date of award	Face Value
Gregor Alexander	01/06/2023	0	£18.80	£0
Alistair Phillips-Davies	01/06/2023	134,448	£18.80	£2,527,622
Martin Pibworth	01/06/2023	83,334	£18.80	£1,566,679
				£4,094,302

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 2023	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 2024
Gregor Alexander	DBP 2016[2]	26/06/2020	26/06/2023	12,494	–	–	–	12,494[4]	–
	DBP 2016[2]	06/07/2021	06/07/2024	13,832	–	–	–	–	13,832
	DBP 2016[2]	22/07/2022	22/07/2025	14,472	–	–	–	–	14,472
	DBP 2016[2]	01/06/2023	01/06/2026	–	–	14,945[3]	–	–	14,945
	PSP[1]	26/06/2020	26/06/2023	88,761	–	–	25,061	79,351[4]	–
	PSP[1]	06/07/2021	06/07/2024	82,597	–	–	–	–	82,597
	PSP[1]	22/07/2022	22/07/2025	94,192	–	–	–	–	94,192
	Sharesave	21/07/2020	01/10/23 – 31/03/24	–130	1,107p	–	–	130	–
Barry O'Regan	DBP 2016[2]	06/07/2021	06/07/2024	2,534	–	–	–	–	2,534
	DBP 2016[2]	22/07/2022	22/07/2025	3,365	–	–	–	–	3,365
	DBP 2016[2]	01/06/2023	01/06/2026	–	–	2,783[3]	–	–	2,783
	LSP[1]	06/07/2021	06/07/2024	15,616	–	–	–	–	15,616
	LSP[1]	22/07/2022	22/07/2025	13,864	–	–	–	–	13,864
	LSP[1]	01/06/2023	01/06/2026	–	–	18,676[3]	–	–	18,676
Alistair Phillips-Davies	DBP 2016[2]	26/06/2020	26/06/2023	18,652	–	–	–	18,652[4]	–
	DBP 2016[2]	06/07/2021	06/07/2024	20,650	–	–	–	–	20,650
	DBP 2016[2]	22/07/2022	22/07/2025	21,604	–	–	–	–	21,604
	DBP 2016[2]	01/06/2023	01/06/2026	–	–	22,310[3]	–	–	22,310
	PSP[1]	26/06/2020	26/06/2023	131,244	–	–	37,057	117,330[4]	–
	PSP[1]	06/07/2021	06/07/2024	122,131	–	–	–	–	122,131
	PSP[1]	22/07/2022	22/07/2025	135407	–	–	–	–	135,407
	PSP[1]	01/06/2023	01/06/2026	–	–	134,448[3]	–	–	134,448
Martin Pibworth	DBP 2016[2]	26/06/2020	26/06/2023	9350	–	–	–	9,350[4]	–
	DBP 2016[2]	06/07/2021	06/07/2024	11,174	–	–	–	–	11,174
	DBP 2016[2]	22/07/2022	22/07/2025	12,739	–	–	–	–	12,739
	DBP 2016[2]	01/06/2023	01/06/2026	–	–	13,316[3]	–	–	13,316
	PSP[1]	26/06/2020	26/06/2023	66,430	–	–	18,758	59,384[4]	–
	PSP[1]	06/07/2021	06/07/2024	73,597	–	–	–	–	73,597
	PSP[1]	22/07/2022	22/07/2025	83,928	–	–	–	–	83,928
	PSP[1]	01/06/2023	01/06/2026	–	–	83,334[3]	–	–	83,334
	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	674	1,335p	–	–	–	674

Shares which are released under the DBP 2016, LSP 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 14,093 shares, Alistair Phillips-Davies received 20,871 shares and Martin Pibworth received 10,544 shares.

1 The performance conditions applicable to awards under the PSP are described on **page 169 and 170**. The 2020 awards under the PSP vested at 76%.

2 33% 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.

3 The market value of a share on the date on which these awards were made was 1,880p.

4 The market value of a share on the date on which these awards were realised was 1,880p.

The closing market price of shares at 28 March 2024 was 1,650p and the range for the year was 1,508p to 1,900p. Awards granted during the year were granted under the DBS and PSP.

The aggregate amount of gains made by the Directors on the exercise of share options and realisation of awards during the year was (before tax) £5,627,470 (2023 – £4,715,794).

2. The wider context of remuneration

In this section, Executive Directors' remuneration is considered in the wider context, including relativity to the wider workforce, shareholder returns and other financial dispersals. These are some of the factors taken into account by the Remuneration Committee in setting pay for Executive Directors.

Relativities to wider workforce pay

Similar pay principles apply to all employees across SSE and there are commonalities between executive pay and below-Board pay. While the Remuneration Committee's responsibilities focus on the pay arrangements for Executive Directors and the Group Executive Committee, it is fully briefed on pay arrangements for the wider workforce and take this into account in its decision making. The table below shows how pay is aligned across employee groups.

	Executive Directors and Group Executive Committee (GEC)	Wider workforce
Base salary	Base salaries are reviewed annually taking into account: skills, experience and performance; salary levels at other UK listed companies of a similar size and complexity; wider internal pay arrangements; and the overall policy objective of setting competitive, but not excessive remuneration against benchmarks.	There are two main groups of employees. Around half of employees are subject to collective bargaining through our recognised trade unions. Annual increases are based on the attainment of skills. The other half of employees have salaries set with reference to market requirements. Annual increases are based on a performance pay matrix.
Benefits	Voluntary benefits are provided in line with the wider workforce plus contractual entitlements to car and private medical benefits.	Some employees receive contractual car and medical benefits. All employees have access to a comprehensive suite of voluntary benefits including private medical benefits, a salary sacrifice car scheme, holiday purchase, financial wellbeing benefits and a range of family friendly benefits.
Pension	Pensions arrangements are aligned with the wider workforce.	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 costs typically range from 3% to 32.5% of salary when both defined contribution and defined benefit schemes are taken into account.
Annual incentive	Executive Director's AIP is linked directly to Group performance and structured 50% financial and 50% non-financial. The award is delivered as 67% cash and 33% deferred shares. GEC members participate on the same basis as other eligible employees.	Around half of the wider employee population is eligible for AIP. Awards are linked to performance of the Group (per the Executive Directors), the employee's business or function, and the employee's individual performance rating. Those in leadership roles may have a portion of their award deferred as shares.
Long term incentive	Executive Directors participate in the PSP which is a share award over three years with performance linked to value creation, financial, strategic and sustainability measures (from the 2022 grant onwards). GEC members participate in the below-Board Leadership Share Plan on the same basis as others in leadership roles.	Those in senior leadership roles are eligible for the Leadership Share Plan, which is a share award over three years with part focused on retention and the remainder performance linked to both Group and business strategic progress in relation to the NZAP Plus. All employees may participate in a Share Incentive Plan and SAYE.

Chief Executive pay ratio

SSE's 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. Taking this into account, a Chief Executive to employee pay ratio has been disclosed in the Annual Report since 2016, before reporting became mandatory in 2019.

The following table shows the Chief Executive pay ratio over time based on methodology C which uses Gender Pay Gap data as the basis but also includes other important components of pay at SSE such as overtime and employer's contribution to pension, and excludes salary sacrifice arrangements. The 2023/24 pay ratio will be recalculated next year in line with the restating of the Chief Executive's total single figure of remuneration which will be revised based on the actual value of the PSP award on vesting. Previous ratios may have been restated for the same reason.

Year	Calculation Methodology	25th percentile ratio	Median ratio	75th percentile ratio
2023/24	C	94:1	65:1	48:1
2022/23	C	136:1	100:1	73:1
2021/22	C	141:1	106:1	76:1
2020/21	C	95:1	73:1	52:1
2019/20	C	83:1	59:1	44:1
2018/19	C	57:1	42:1	30:1

The table below sets out base salary, and total pay and benefits for the Chief Executive and UK employees at the 25th, 50th and 75th percentile. The total pay figures have been used to determine the pay ratios above.

	Chief Executive		UK employees					
			25th percentile		Median		75th percentile	
£000s	Base salary	Total pay	Base salary	Total pay	Base salary	Total pay	Base salary	Total pay
2023/24	999	3,525	31	38	42	54	57	73
2022/23	952	4,776	29	35	37	48	51	65
2021/22	924	4,655	28	33	36	44	49	61
2020/21	915	3,045	28	32	35	42	48	59
2019/20	890	2,418	–	29	–	41	–	55
2018/19	866	1,639	–	29	–	39	–	54

A large proportion of the Chief Executive's pay is based on performance and the flow through to variable pay, and so the pay ratio could vary significantly from year to year. The Chief Executive's total pay has reduced by 26% as a result of a reduced pension valuation and lower incentive outturns relative to the previous year. Conversely, there has been an increase in employee base salary and total pay as a result of salary increases linked to CPI at a time when supporting employees through the cost of living crisis was a priority. This has resulted in a change in the headline ratio from 100:1 in 2023 to 65:1 in 2024.

Further information on below-Board pay including the Gender Pay Gap can be found on pages 42 to 45 and in the Sustainability Report.

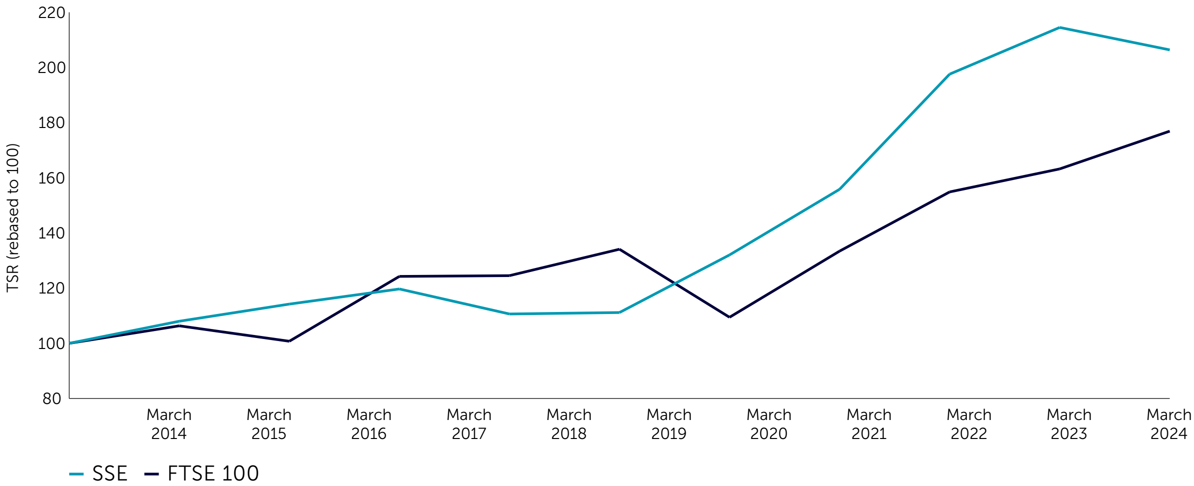
Change in remuneration of Directors and employees
The table below shows the percentage change in the annual remuneration of Directors and UK employees over the past four years, as required by the reporting regulations. These changes reflect the information provided in the single total figure of remuneration table.

	2020/21 v 2019/20			2021/22 v 2020/21			2022/23 v 2021/22			2023/24 v 2022/23		
Director	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus
Non-Executive Directors												
Elish Angiolini	–	–	–	–	–	–	–	–	–	28%	–	–
John Bason	–	–	–	–	–	–	–	–	–	48%	–	–
Tony Cocker	13%	–	–	11%	–	–	3%	–	–	-1%	–	–
Debbie Crosbie	–	–	–	–	–	–	–	–	–	5%	–	–
Helen Mahy	2%	–	–	1%	–	–	3%	–	–	16%	–	–
John Manzoni	–	–	–	–	–	–	3%	–	–	5%	–	–
Melanie Smith	3%	–	–	1%	–	–	3%	–	–	32%	–	–
Angela Strank	–	–	–	–	–	–	3%	–	–	5%	–	–
Executive Directors												
Alistair Phillips-Davies	3%	0	20%	1%	4%	21%	3%	3%	9%	5%	-27%	-18%
Martin Pibworth	11%	6%	30%	11%	0%	32%	3%	1%	11%	5%	5%	-18%
All employees	6%	8%	10%	6%	3%	51%	22%	16%	6%	25%	11%	36%

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 2023/24, £83 was paid in tax, £114 was spent on employee costs and £302 was spent on capital and investment expenditure. In addition, £117 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	**2023/24 £m**
Executive Directors' earnings	5.3	3.6	5.1	6.8	10.4	10.4	**8.2**
Dividends to shareholders	926.1	973.0	948.5	836.4	862.3	955.8	**956.4**
Adjusted investment, capital and acquisition expenditure	1,503.0	1,422.9	1,371.9	912.0	2,067.8	2,803.3	**2,476.7**
Total UK taxes paid (profits, property, environment and employment taxes)	484.1	403.7	421.6	379.0	335.3	501.7	**679.2**
Staff costs	665.6	653.5	684.7	700.4	688.7	771.8	**938.4**

Total shareholder return (TSR)
The graph below shows SSE TSR performance over the last ten years relative to FTSE 100 performance. The FTSE 100 index has been chosen because SSE has been a constituent member throughout the period.



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

Directors	Single total figure of remuneration (£'000)	Annual variable element award (% of maximum)	Long-term incentive vesting (% of maximum)	Application of discretion
2023/24 (Alistair Phillips-Davies)	3,525	69	62	
2022/23 (Alistair Phillips-Davies)	4,776	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	

3. Governance

External appointments
Executive Directors are able to accept non-Executive appointments 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.

The Chief Executive is a non-Executive Director of Anglian Water Services Limited for which he receives an annual fee of £59,177. None of the other Executive Directors hold any paid external appointments.

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 HR and Director 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 HR and Director of Reward advised on HR strategy and the application of HR policies across the wider organisation.

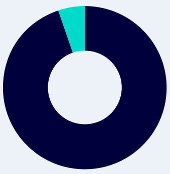
FIT Remuneration Consultants LLP (FIT) provided a range of information to the Committee which included market data drawn from published surveys, governance developments and their application to SSE, advice on remuneration disclosures and regulations and comparator group pay. FIT received fees of £97,950 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.

Shareholder voting in 2023

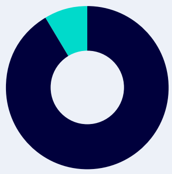
On 20 July 2023, shareholders approved the Annual Remuneration Report for the year ended 31 March 2023. On 21 July 2022, shareholders approved the current Directors' Remuneration Policy. The results of the resolutions are shown below.

Annual report on remuneration – shareholder voting in 2023



Total votes cast: 728,166,346
Votes withheld: 398,119

Directors' Remuneration Policy – shareholder voting in 2022



Total votes cast: 678,277,304
Votes withheld: 7,750,651

Employee engagement

The Board actively seeks opportunities for two-way dialogue with SSE's employees. Engagement activity is diverse and includes face-to-face meetings, site visits, attendance at employee events and virtual meetings. During the year, feedback has been gathered on a wide range of topics including pay. Further information on 'Hearing and responding to employees' can be found on pages 128 and 129.

Ahead of the Remuneration Policy renewal in 2025, the Remuneration Committee Chair will be seeking views on executive remuneration from a range of stakeholders including employees.

Remuneration Committee

The Terms of Reference for the Committee were reviewed during 2023/24 and are available on SSE's website (sse.com). A summary of the role of the Committee can be found on the first page of the Directors' Remuneration Report. 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 122. The focus of each of the meetings was as follows:

May 2023	Confirmed AIP and PSP performance outcomes Set AIP and PSP performance measures for the year ahead Reviewed below-Board pay arrangements
November 2023	Received a post-AGM season market and governance update Reviewed how AIP and PSP measures were tracking against performance Agreed the leaving arrangements of the Finance Director Carried out a remuneration risk assessment
March 2024	Reviewed how AIP and PSP measures were tracking against performance Agreed salary and fee increases for Executive Directors and the Chair Reviewed Committee Terms of Reference and evaluation outcomes

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. The Committee also believes 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 society in a sustainable way.
- The current Policy updates the previous Policy with minimal structural changes so is 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' were reviewed and strengthened as part of the last policy review.

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 measures 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.

Policy summary

The Policy is summarised in the table below. There are no changes to the operation of the Policy for 2024/25.

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, funded final salary and top-up unfunded arrangements up to the maximum of 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 which reflects the wider employee population taking length of service into account. The Chief Financial Officer receives a pension contribution of 12% of base salary which reflects the majority of employees irrespective of service and in line with the policy for new appointments. 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 Chief Financial Officer 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 Chief Financial Officer 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 Chief Financial Officer 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	Fees are set at a level which provides 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

21 May 2024

Compliance with the UK Corporate Governance Code 2018

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 2024. A copy of the Code can be found at www.frc.org.uk.

For 2023/24, the Board confirms compliance against the Code Provisions, with the application of the Principles and overall spirit of the Code being upheld through the work of the Board and its Committees. This statement provides detail of this approach and confirms where supporting disclosures can be found within the Annual Report.

1. Board leadership and company purpose

A. Board's role

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. SSE's Governance Framework, the composition of the Board, the annual plan of Board work, and a programme of Group-wide strategic stakeholder engagement continue to support the Board's oversight of internal and external developments and its ability to effectively challenge and take informed decisions for the longer-term.

Further details can be found on:

- SSE's Governance Framework, see pages 114 to 115.
- Board composition, see pages 116 to 119
- Board work in 2023/24, see pages 122 to 131.
- SSE's stakeholders, see pages 132 to 134.

B. Purpose, culture and strategy

The Board sets and considers the cornerstones of SSE's purpose and vision on an ongoing basis, which underpin a strategy focused on clean energy infrastructure and energy security in the transition to net zero. SSE's strategy is agreed and monitored by the Board through a continuing programme of work and is supported by a fully-funded capex plan to 2027 – SSE's Net Zero Acceleration Programme (NZAP) Plus. SSE's business model confirms how the Board has determined the Group's deliberate mix of market-based and economically-regulated businesses create lasting value within SSE's complex operating environment.

The definition of a healthy corporate culture for SSE is set by the Board and supports SSE's purpose, vision, and strategy by setting a baseline for cultural guidance and indicators to be developed. Culture is viewed as a shared deliverable which starts with the Board leading by example and instilling the correct tone to underpin a fair workplace and ethical business practices. Dedicated cultural updates and employee engagement activities frame the Board's assessment of culture in practice.

Further details can be found on:

- SSE's purpose, vision, strategy, values and business model, see pages 1 to 6.
- Board work on strategy, see pages 123 to 125.
- Board focus on culture, see page 127.

C. Resources and controls

SSE's strategy and NZAP Plus are supported by a suite of agreed targets and 2030 business goals which represent the framework the Board adopts to monitor progress against agreed objectives. Key parameters set by the Board include SSE's financial and investment and strategy, comprising the annual operating and capital expenditure budgets, and the delegated authorities across SSE's Governance Framework. These delegations support day-to-day operations and implementation of strategy which is overseen by the Group Executive Committee.

To safeguard areas material to the delivery of SSE's purpose, vision and strategy, the Board retains a Schedule of Reserved Matters for its decision, alongside a wider Board Charter which governs Board operations and pertinent Group-wide matters. The Schedule of Reserved Matters can be accessed on sse.com alongside SSE's key corporate governance documents.

Reporting to the Board provides oversight of delegated matters and includes a combination of verbal updates at Board meetings, the provision of sub-Committee minutes, written reports, and dashboards covering agreed financial and non-financial key performance indicators.

The Board sets the approach to risk management and oversees the effectiveness of SSE's System of Internal Control with support from the Audit Committee.

D. Stakeholder engagement

SSE's approach to stakeholder engagement is directed by a Board-agreed framework which 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.

Given the societal impact and scale of SSE's business operations, breadth and depth of stakeholder engagement is required to ensure decisions demonstrate appropriate 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.

Further details can be found on:

- SSE's stakeholders, see pages 14 to 15.
- Stakeholders and Section 172 Statement, see pages 132 to 134.

E. Workplace policies

SSE has established processes and procedures to embed a healthy and consistent view of culture across the Group. Key pillars approved by the Board include SSE's values, SSE's Group Policies, and an employee guide 'Doing the right thing; SSE's guide to good business ethics'. The Policies and employee guide translate SSE's values into accepted attitudes and behaviours and are supported by mandatory training for everyone in SSE. The Board Committees provide dedicated focus to supporting policy within their own remit.

To ensure everyone in SSE is empowered to speak-up in relation to wrongdoing, the Board receives biannual reports on SSE's whistleblowing arrangements covering performance, case trends, and employee confidence in the agreed speak-up mechanisms and protections. These updates support the Board's assessment of the continued and effective operation of these arrangements.

2. Division of responsibilities

F. Chair

The Chair leads the Board and nurtures 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. To allow the non-Executive Directors to raise matters directly with the Chair, time is set aside at each Board meeting to discuss areas of business without the Executive Directors present.

The current Chair, Sir John Manzoni was deemed independent on appointment, with performance in the role, assessed annually through the Board performance review.

Further details can be found on:

- Assessing Board performance, see pages 136 to 137.

G. Board composition, independence and division of responsibilities

The Board comprises the Chair, eight independent non-Executive Directors and three Executive Directors; excluding the Chair over half of its membership is deemed independent. 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 division of responsibilities across the Board can be accessed on sse.com.

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 overseen by the Nomination Committee, which informs the simultaneous and ongoing assessment of a non-Executive Director's independence.

Further details can be found on:

- Board composition, see pages 116 to 120.
- Board independence and conflicts, see pages 140 to 141.

H. Non-Executive Directors' role and time commitment

The expected time commitment of the Chair and non-Executive Directors is agreed and set out in writing in the Letter of Appointment for the respective roles. This is issued following confirmation of an individual's capacity to join the Board and involves an assessment of existing external commitments and demands on time. Any changes, such as additional external appointments, can only be accepted following approval of the Board. The Nomination Committee monitors Director time commitment, with the annual Board performance evaluation considering the performance of each individual Director in this regard.

To support the non-Executive Directors in providing both challenge and 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.

Further details can be found on:

- Board external commitments, see pages 116 to 119.
- Annual Board performance review, see pages 136 to 137.
- Time commitment, see page 140.

I. Company Secretary

The Company Secretary and Group General Counsel safeguards compliance with Board procedures and supports the development of meeting agendas with the Chair and Chief Executive. These are structured around a pre-agreed annual plan of business, with consideration for 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 the authors and presenters of Board materials. An electronic meeting portal allows efficient navigation of papers, information and requests. In addition, any Director can request further information to support their individual duties or collective Board role. This can be internally or externally facilitated, and can originate from technical Board discussions, an identified training opportunity, or area of general interest relating to SSE.

Further details can be found on:

- Deep dives, see page 125.

3. Composition, succession and evaluation

J. Appointments and succession planning

The composition of the Board is informed by plans for orderly succession across Board and Committee roles which is overseen by the Nomination Committee. This work considers the length of tenure of the non-Executive Directors and the talent pipeline for the Executive Directors. Succession for senior leadership roles is considered by the Committee with support from Group HR. To provide direct exposure to the talent pool, members of the Nomination Committee and Board engage in core talent programmes and meet potential future leaders through structured and informal engagement activities.

Appointments to the Board follow an agreed process which starts with the agreement of a role specification and any external search firm support that may be required. The Board's Inclusion and Diversity Policy confirms the practices that are adopted to ensure an inclusive recruitment process which promotes diversity and equal opportunity. The outcomes of any Board succession planning or recruitment work are reported in the Annual Report each year.

Further details can be found on:

- Nomination Committee work, see pages 138 to 143.

K. Skills, experience and knowledge

The Nomination Committee 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. This is supported by a standing assessment of the Board's skills matrix and composition metrics to identify where a gap or further work is required. With cognisance for the overall tenure of the Board, 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.

Further details can be found on:

- Board composition, see pages 116 to 120.
- Nomination Committee considerations, see pages 138 to 143.

L. Board performance
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 performance review process which is reported on each year, with this facilitated externally at least every three years.

Further details can be found on:

– Assessing Board performance, see pages 136 to 137.

4. Audit, risk and internal control

M. Internal and external audit
The Audit Committee assesses the role of Internal Audit, reviewing the independence and effectiveness of its function and work. SSE's Internal Audit plays an important role in helping the organisation deliver its vision and objectives by providing independent and objective assurance to management, the Audit Committee and Board on the effectiveness of SSE's risk management activities, internal controls and corporate governance framework. The Audit Committee further oversees SSE's relationship with EY, appointed by shareholders as SSE's External Auditor, to ensure that the independence, quality, rigour, and challenge of the external audit process is maintained. The Audit Committee reviews significant financial judgements to monitor the integrity of the financial and narrative statements.

Further details can be found on:

– Audit Committee work, see pages 144 to 151.

N. Fair, balanced and understandable assessment
The Board considers 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. This assessment is supported by an agreed assurance framework which the Board and Audit Committee consider each year, alongside reports confirming it has been adhered to.

Further details can be found on:

– Fair, balanced and understandable framework, see page 146.

O. Risk management
SSE'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 carries 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 can be found on:

– Group Principal Risks, see page 89.

5. Remuneration

P. Remuneration policies and practices
The Remuneration Committee focuses on determining and agreeing SSE's broad policy for executive remuneration and reviewing its ongoing appropriateness and relevance. It ensures remuneration is strongly aligned to SSE's purpose and strategy, encourages long-term stewardship and rewards individual contributions towards the success of SSE.

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 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 and a summary is provided on pages 160 to 162. This also includes details of how the factors set out in the Code (clarity, simplicity, risk, predictability, proportionality and alignment to culture) are addressed.

Further details can be found on:

– Remuneration Committee work, see pages 158 to 180.

Q. Developing executive remuneration policy
The Policy is structured to ensure that SSE has enough flexibility to attract world-class talent. This is particularly important as SSE is increasingly exposed to new markets and technologies.

In setting pay policy and practice, the views of a range of stakeholders is taken into account, including those of shareholders through effective investor dialogue, and employees through a calendar of Board engagement activities.

R. Remuneration outcomes and independent judgement
The Remuneration Committee has a history of setting stretching targets which reward true outperformance and has used its discretion on several occasions in recent years to reduce formulaic outcomes where they have deemed it necessary.

The Chief Executive, Director of HR, and Head of Reward, advise the Committee on certain remuneration matters for the Executive Directors and senior executives. No Director or senior executive is present for any discussions related to their own remuneration to ensure independent judgement. In addition, external remuneration advisors provide advice to the Committee, and they adhere to the Remuneration Consultants' Group Code of Conduct.

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 2024.

The Strategic Report is set out on pages 1 to 109 and the Governance Report, which is SSE's Directors' Report is set out on pages 111 to 187. The Strategic Report and the Governance 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 186
Greenhouse gas emissions	page 106
Energy consumption	page 49
Energy efficiency action	page 49
Employee engagement and involvement	pages 128 to 129 and 132
Engagement with suppliers, customers and others in a business relationship with the Company	pages 33 to 45 and 133 to 134
A summary of the principal risks facing the Company	pages 85 to 95

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 230 to 231
Details of any long-term incentive schemes	pages 160 to 162

Results and dividends

The Group's results and performance highlights for the year are set out on pages 20 to 21 and 54 to 67. An interim dividend of 20 pence per Ordinary Share was paid on 8 March 2024. The Directors propose a final dividend of 40 pence per Ordinary Share. Subject to approval at the AGM 2024, the final dividend will be paid on 19 September 2024 to shareholders on the Register of Members at close of business on 26 July 2024.

Board of Directors

Director appointment and retirement

The Company's Directors who served during the financial year ending 31 March 2024 are provided within the attendance table on page 122. The biographies of those individuals who were Directors of the Company on 21 May 2024 are on pages 116 to 119. Details of Board changes are confirmed on page 140.

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 25 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 on pages 1 to 109.

Employment of disabled people

SSE has a range of employment policies which clearly detail the standards, processes, expectations and responsibilities of its people and the organisation. These policies were in place for the duration of the year, and are designed to ensure that everyone, including those with existing or new disabilities and people of all backgrounds, are dealt with in an inclusive and fair way from the recruiting process on through their career at SSE. This includes access to appropriate training, development opportunities and job progression. Further details of this approach can be found on pages 42 to 45.

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 2024, together with details of any changes during the year, is set out in note 22 to the Financial Statements. As of 31 March 2024, the issued share capital of the Company consisted of 1,096,238,489 Ordinary Shares. This figure includes 2,793,923 ordinary shares which are held in treasury (representing 0.25% of the Company's issued share capital), with these shares voting and dividend rights automatically suspended.

The Company was authorised at the AGM 2023 to allot shares or grant rights over shares up to an aggregate nominal amount equal to £181,722,739 (representing 363,445,478 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 2024.

The Company was authorised at the AGM 2023 to allot up to an aggregate nominal amount of £27,258,410 (representing 54,516,820) 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 2024.

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 2024, 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 2024 and 21 May 2024.

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.	17 January 2024	64,875,144	5.93%	15,511,903	1.51%	7.44%	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
Bank of America Corporation	1 August 2023	4,713,063	0.43%	–	–	0.43%	Indirect

* At date of disclosure by relevant entity.

Authority to purchase shares

At the AGM 2023, the Company obtained shareholder approval to purchase up to 109,033,643 of its own Ordinary Shares (representing 10% of its issued share capital) up until the earlier of the conclusion of the AGM 2024 and close of business on 30 September 2024.

The Company did not undertake any share repurchase programmes during the financial year ending 31 March 2024.

During the financial year, and up until 31 March 2024, the Company used 824,816 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 2024.

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 18 July 2024 at 12.30pm. Shareholders will also be able to attend the meeting electronically via the use of an electronic platform and submit 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 2024 which accompanies this report for shareholders receiving hard copy documents, and is available at sse.com for those who have elected to receive documents electronically.

Articles of Association changes

The Company's latest Articles of Association were adopted at the AGM 2021. 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 2024, 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

There are no post-balance sheet events to report.

The Directors' Report set out on pages 111 to 187 has been approved by the Board of Directors in accordance with the Companies Act 2006.

By order of the Board

Liz Tanner
Company Secretary and Group General Counsel, SSE plc

21 May 2024

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

Barry O'Regan
Chief Financial Officer

21 May 2024

Powering sustainable growth

Growing

We're enabling more people working in high-carbon sectors to move into low-carbon careers at SSE – ensuring we have the skilled workforce needed for a cleaner energy world.

Discover how we're **supporting a just transition to net zero**

Financial Statements

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.

There have been no changes to the way the Group calculates its APMs in the current year.

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 operating 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 ventures 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 operating 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
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)

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
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
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 SSE Energy Markets (formerly 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 SSE Business Energy and SSE Airtricity operating units, or 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 (predominantly 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 (predominantly 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.

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.

Rationale for adjustments to profit measure continued

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 63, '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). In the current and prior 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. There is no impact to disclosures for 31 March 2022.

March 2024

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 profit	2,608.2	(522.7)	266.3	9.9	19.0	184.8	–	–	(139.1)	2,426.4
Net finance costs	(113.1)	(6.1)	(0.3)	–	–	(110.7)	(26.2)	–	4.7	(251.7)
Profit before taxation	2,495.1	(528.8)	266.0	9.9	19.0	74.1	(26.2)	–	(134.4)	2,174.7
Taxation	(610.7)	130.3	(23.3)	–	–	(74.1)	–	198.8	8.0	(371.0)
Profit after taxation	1,884.4	(398.5)	242.7	9.9	19.0	–	(26.2)	198.8	(126.4)	1,803.7
Attributable to other equity holders	(173.9)	–	–	–	–	–	–	(25.6)	126.4	(73.1)
Profit attributable to ordinary shareholders	1,710.5	(398.5)	242.7	9.9	19.0	–	(26.2)	173.2	–	1,730.6
Number of shares for EPS	1,091.8	–	–	–	–	–	–	–	–	1,091.8
Earnings per share	156.7	–	–	–	–	–	–	–	–	158.5

EBITDA	Adjusted operating profit from continuing operations £m	Share of joint ventures 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	2,426.4	208.8	(13.0)	(19.0)	724.9	(32.5)	3,295.6

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

Rationale for adjustments to profit measure continued

March 2023 continued

EBITDA	Adjusted operating profit from continuing operations £m	Share of joint ventures 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

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

EBITDA	Adjusted operating profit from continuing operations £m	Share of joint ventures 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

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 held and 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 held and posted as collateral

Cash held and posted as collateral refers to cash balances received from and deposited with 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 2024 £m	March 2023 £m	March 2022 £m
Unadjusted net debt	**(8,097.8)**	(8,168.1)	(8,015.4)
Cash (held)/posted as collateral	**(353.2)**	316.3	74.7
Lease obligations	**407.5**	405.9	393.5
External net debt attributable to non-controlling interests	**490.2**	434.2	–
Adjusted Net Debt	**(7,553.3)**	(7,011.7)	(7,547.2)
Hybrid equity	**(1,882.4)**	(1,882.4)	(1,051.0)
Adjusted Net Debt and Hybrid Capital	**(9,435.7)**	(8,894.1)	(8,598.2)

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 – Joint ventures and associates' additions funding – Non-controlling share of capital expenditure – Lease asset additions
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 – Joint ventures and associates' additions funding – Non-controlling share of capital expenditure – Lease asset additions – Acquisition cash consideration

Rationale for 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.

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.

Rationale for adjustments to profit measure continued

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 metrics for March 2022.

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 2024 (2023: £nil). In the year ended 31 March 2022, Doggerbank windfarm reimbursed SSE for previous funding of £136.7m. 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 2024 £m	March 2023 £m	March 2022 £m
Capital additions to intangible assets	**1,314.2**	1,688.6	921.0
Capital additions to property, plant and equipment	**1,971.4**	1,500.1	1,392.9
Capital additions to intangible assets and property, plant and equipment	**3,285.6**	3,188.7	2,313.9
Customer funded additions	**(152.0)**	(80.9)	(91.3)
Allowances and certificates	**(774.5)**	(805.2)	(544.5)
Additions through business combinations	**–**	(515.2)	(197.8)
Additions subsequently disposed/impaired	**–**	–	(13.9)
Joint ventures and associates' additions	**390.0**	498.4	682.5
Non-controlled interests share of capital expenditure	**(199.4)**	(46.7)	–
Refinancing (proceeds)/refunds	**–**	–	(136.7)
Lease asset additions	**(73.0)**	(78.5)	(85.7)
Adjusted Investment and Capital Expenditure	**2,476.7**	2,160.6	1,926.5
Acquisition cash consideration	**–**	642.7	141.3
Adjusted Investment, Capital and Acquisition Expenditure	**2,476.7**	2,803.3	2,067.8

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 and the 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 the year ended 31 March 2022:

	March 2024 £m	March 2023 £m	March 2022 £m
Adjusted EBITDA of SSE Group (including discontinued operations)	**3,295.6**	3,382.1	2,384.8
Less: Gas Production profit	**–**	–	(101.4)
Less: SGN profit	**–**	–	(32.1)
Adjusted EBITDA of continuing operations APM	**3,295.6**	3,382.1	2,251.3
Adjusted operating profit of SSE Group (including discontinued operations)	**2,426.4**	2,529.2	1,653.3
Less: Gas Production profit	**–**	–	(101.4)
Less: SGN profit	**–**	–	(21.0)
Adjusted operating profit of continuing operations APM	**2,426.4**	2,529.2	1,530.9
Adjusted net finance costs of SSE Group (including discontinued operations)	**251.7**	345.6	377.6
Less: Gas Production	**–**	–	(0.1)
Less: SGN	**–**	–	(4.7)
Adjusted net finance costs of continuing operations APM	**251.7**	345.6	372.8
Adjusted profit before tax of SSE Group (including discontinued operations)	**2,174.7**	2,183.6	1,275.7
Less: Gas Production profit	**–**	–	(101.3)
Less: SGN profit	**–**	–	(16.3)
Adjusted profit before tax of continuing operations APM	**2,174.7**	2,183.6	1,158.1
Adjusted current tax of SSE Group (including discontinued operations)	**371.0**	358.8	109.4
Less: SGN current tax charge	**–**	–	(2.3)
Adjusted current tax of continuing operations APM	**371.0**	358.8	107.1
Adjusted earnings per share of SSE Group (including discontinued operations)	**158.5**	166.0	105.6
Less: Gas Production earnings per share	**–**	–	(9.6)
Less: SGN earnings per share	**–**	–	(1.2)
Adjusted earnings per share of continuing operations APM	**158.5**	166.0	94.8

The remaining APMs presented by the Group are unchanged in all periods presented by the discontinued operations.

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CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2024

		2024			2023		
	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 £m	Exceptional items and certain re-measurements (note 7) £m	Total £m
Continuing operations							
Revenue	5	**10,457.2**	**–**	**10,457.2**	12,490.7	–	12,490.7
Cost of sales	6	**(6,568.3)**	**461.3**	**(6,107.0)**	(9,933.2)	(2,717.2)	(12,650.4)
Gross profit/(loss)		**3,888.9**	**461.3**	**4,350.2**	2,557.5	(2,717.2)	(159.7)
Operating costs	6	**(1,577.7)**	**(270.9)**	**(1,848.6)**	(1,431.6)	(230.4)	(1,662.0)
Debt impairment charges	A6.2	**(128.8)**	**–**	**(128.8)**	(91.0)	–	(91.0)
Other operating income	6	**116.7**	**4.6**	**121.3**	1,015.0	89.1	1,104.1
Operating profit/(loss) before joint ventures and associates		**2,299.1**	**195.0**	**2,494.1**	2,049.9	(2,858.5)	(808.6)
Joint ventures and associates:							
Share of operating profit		**237.5**	**–**	**237.5**	531.9	140.7	672.6
Share of interest		**(110.7)**	**–**	**(110.7)**	(70.1)	–	(70.1)
Share of movement in derivatives		**–**	**61.4**	**61.4**	–	202.9	202.9
Share of tax		**(58.8)**	**(15.3)**	**(74.1)**	(104.0)	(39.1)	(143.1)
Share of profit on joint ventures and associates	16	**68.0**	**46.1**	**114.1**	357.8	304.5	662.3
Operating profit/(loss) from continuing operations	5	**2,367.1**	**241.1**	**2,608.2**	2,407.7	(2,554.0)	(146.3)
Finance income	9	**198.8**	**6.4**	**205.2**	135.3	202.1	337.4
Finance costs	9	**(318.3)**	**–**	**(318.3)**	(396.7)	–	(396.7)
Profit/(loss) before taxation		**2,247.6**	**247.5**	**2,495.1**	2,146.3	(2,351.9)	(205.6)
Taxation	10	**(519.0)**	**(91.7)**	**(610.7)**	(355.5)	465.5	110.0
Profit/(loss) for the year from continuing operations		**1,728.6**	**155.8**	**1,884.4**	1,790.8	(1,886.4)	(95.6)
Discontinued operations							
Profit from discontinued operation, net of tax	12	**–**	**–**	**–**	–	35.0	35.0
Profit/(loss) for the year		**1,728.6**	**155.8**	**1,884.4**	1,790.8	(1,851.4)	(60.6)
Attributable to:							
Ordinary shareholders of the parent	11	**1,554.7**	**155.8**	**1,710.5**	1,728.4	(1,851.4)	(123.0)
Non-controlling interests		**100.8**	**–**	**100.8**	23.6	–	23.6
Other equity holders		**73.1**	**–**	**73.1**	38.8	–	38.8
Earnings/(losses) per share							
Basic (pence)	11			**156.7**			(11.4)
Diluted (pence)	11			**156.5**			(11.4)
Earnings/(losses) per share – continuing operations							
Basic (pence)	11			**156.7**			(14.7)
Diluted (pence)	11			**156.5**			(14.7)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024

	2024 £m	2023 £m
Profit/(loss) for the year		
Continuing operations	**1,884.4**	(95.6)
Discontinued operations	**–**	35.0
	1,884.4	(60.6)
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Net gains on cash flow hedges	**6.5**	43.3
Transferred to assets and liabilities on cash flow hedges	**2.1**	(12.7)
Taxation on cashflow hedges	**(0.3)**	(8.1)
	8.3	22.5
Share of other comprehensive (loss)/income of joint ventures and associates, net of taxation	**(40.9)**	342.4
Exchange difference on translation of foreign operations	**(66.6)**	72.5
Gain/(loss) on net investment hedge	**30.9**	(43.1)
	(68.3)	394.3
Items that will not be reclassified to profit or loss:		
Actuarial loss on retirement benefit schemes, net of taxation	**(116.4)**	(59.4)
Gains/(losses) on revaluation of investments in equity instruments, net of taxation	**3.5**	(0.4)
	(112.9)	(59.8)
Other comprehensive (loss)/gain, net of taxation	**(181.2)**	334.5
Total comprehensive income for the year	**1,703.2**	273.9
Total comprehensive income for the year arises from:		
Continuing operations	**1,703.2**	238.9
Discontinued operations		
Profit from discontinued operations	**–**	35.0
Total comprehensive income from discontinued operations	**–**	35.0
Total comprehensive income for the year	**1,703.2**	273.9
Attributable to:		
Ordinary shareholders of the parent	**1,529.3**	206.4
Non-controlling interests	**100.8**	28.7
Other equity holders	**73.1**	38.8
	1,703.2	273.9

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2024

	Note	2024 £m	2023 £m (restated*)
Assets			
Property, plant and equipment	14	**16,611.5**	15,395.9
Goodwill and other intangible assets	13	**2,324.6**	1,960.3
Equity investments in joint ventures and associates	16	**1,963.2**	1,975.7
Loans to joint ventures and associates	16	**1,352.9**	1,115.4
Other investments	16	**3.2**	27.4
Other receivables	18	**170.1**	149.5
Derivative financial assets	24	**64.2**	246.0
Retirement benefit assets	23	**421.6**	541.1
Non-current assets		**22,911.3**	21,411.3
Intangible assets	13	**754.7**	454.9
Inventories	17	**343.0**	394.9
Trade and other receivables	18	**2,654.1**	3,245.1
Current tax asset	10	**35.1**	19.9
Cash and cash equivalents	21	**1,035.9**	891.8
Derivative financial assets	24	**536.1**	759.2
Current assets		**5,358.9**	5,765.8
Total assets		**28,270.2**	27,177.1
Liabilities			
Loans and other borrowings	21	**1,128.0**	1,820.6
Trade and other payables	19	**3,322.5**	2,658.6
Current tax liabilities	10	**9.3**	9.1
Financial guarantee liabilities	24	**3.1**	4.4
Provisions	20	**52.7**	29.4
Derivative financial liabilities	24	**345.2**	1,021.0
Current liabilities		**4,860.8**	5,543.1
Loans and other borrowings	21	**8,005.7**	7,239.3
Deferred tax liabilities	10	**1,536.8**	1,299.1
Trade and other payables	19	**1,092.8**	959.9
Financial guarantee liabilities	24	**36.4**	66.5
Provisions	20	**712.4**	742.7
Derivative financial liabilities	24	**222.2**	243.3
Non-current liabilities		**11,606.3**	10,550.8
Total liabilities		**16,467.1**	16,093.9
Net assets		**11,803.1**	11,083.2
Equity:			
Share capital	22	**548.1**	547.0
Share premium		**820.1**	821.2
Capital redemption reserve		**52.6**	52.6
Hedge reserve		**407.6**	441.2
Translation reserve		**(2.6)**	32.1
Retained earnings		**7,345.0**	6,657.6
Equity attributable to ordinary shareholders of the parent		**9,170.8**	8,551.7
Hybrid equity	22	**1,882.4**	1,882.4
Attributable to non-controlling interests	22	**749.9**	649.1
Total equity		**11,803.1**	11,083.2

* The comparative Consolidated Balance Sheet has been restated. See notes 1.2 and 2.1.

The accompanying notes are an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 21 May 2024 and signed on their behalf by:

Barry O'Regan
Chief Financial Officer

Sir John Manzoni
Chairman

SSE plc
Registered No: SC117119

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

	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
At 1 April 2023 (restated*)	**547.0**	**821.2**	**52.6**	**441.2**	**32.1**	**6,657.6**	**8,551.7**	**1,882.4**	**10,434.1**	**649.1**	**11,083.2**
Profit for the year	–	–	–	–	–	1,710.5	1,710.5	73.1	1,783.6	100.8	1,884.4
Other comprehensive loss	–	–	–	(33.6)	(34.7)	(112.9)	(181.2)	–	(181.2)	–	(181.2)
Total comprehensive income for the year	–	–	–	(33.6)	(34.7)	1,597.6	1,529.3	73.1	1,602.4	100.8	1,703.2
Dividends to shareholders	–	–	–	–	–	(956.4)	(956.4)	–	(956.4)	–	(956.4)
Scrip dividend related share issue	1.1	(1.1)	–	–	–	38.6	38.6	–	38.6	–	38.6
Issue of treasury shares	–	–	–	–	–	9.2	9.2	–	9.2	–	9.2
Distributions to Hybrid equity holders	–	–	–	–	–	–	–	(73.1)	(73.1)	–	(73.1)
Credit in respect of employee share awards	–	–	–	–	–	20.2	20.2	–	20.2	–	20.2
Investment in own shares	–	–	–	–	–	(21.8)	(21.8)	–	(21.8)	–	(21.8)
At 31 March 2024	**548.1**	**820.1**	**52.6**	**407.6**	**(2.6)**	**7,345.0**	**9,170.8**	**1,882.4**	**11,053.2**	**749.9**	**11,803.1**

* The comparative Statement of Changes in Equity has been restated. See note 2.1.

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	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
Impact of adoption of IFRS 17 (see note 2.1)	–	–	–	–	–	(32.2)	(32.2)	–	(32.2)	–	(32.2)
At 1 April 2022 (restated*)	536.5	835.1	49.2	77.5	6.6	6,540.7	8,045.6	1,051.0	9,096.6	40.6	9,137.2
Profit for the year	–	–	–	–	–	(123.0)	(123.0)	38.8	(84.2)	23.6	(60.6)
Other comprehensive income/(loss)	–	–	–	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)
Disposal of stake in SSEN Transmission (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 (restated*)	547.0	821.2	52.6	441.2	32.1	6,657.6	8,551.7	1,882.4	10,434.1	649.1	11,083.2

* The comparative Statement of Changes in Equity has been restated. See note 2.1.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024 £m	2023 £m
Operating profit/(loss) – continuing operations		**2,608.2**	(146.3)
Less share of profit of joint ventures and associates		**(114.1)**	(662.3)
Operating profit/(loss) before jointly controlled entities and associates		**2,494.1**	(808.6)
Pension service charges less contributions paid	23	**(9.5)**	(19.2)
Movement on operating derivatives	24	**(443.4)**	2,691.6
Depreciation, amortisation, write downs and impairments		**859.0**	640.7
Impairment of joint venture investment including shareholder loans	7,16	**136.8**	329.3
Charge in respect of employee share awards (before tax)		**20.2**	18.7
Profit on disposal of assets and businesses	7,12,16	**(9.0)**	(89.1)
Charge/(release) of provisions	20	**14.6**	(114.9)
Credit in respect of financial guarantees		**(12.5)**	–
Release of deferred income	6	**(13.0)**	(13.9)
Cash generated from operations before working capital movements		**3,037.3**	2,634.6
Decrease/(increase) in inventories		**39.6**	(137.3)
Decrease/(increase) in receivables		**763.1**	(996.0)
Increase in payables		**243.0**	166.7
Decrease in provisions		**(33.9)**	(15.3)
Cash generated from operations		**4,049.1**	1,652.7
Dividends received from investments	16	**223.7**	296.5
Interest paid		**(67.0)**	(199.9)
Taxes paid		**(345.8)**	(255.3)
Net cash from operating activities		**3,860.0**	1,494.0
Purchase of property, plant and equipment	5	**(1,970.3)**	(1,479.7)
Purchase of other intangible assets	5	**(542.2)**	(336.4)
Receipt of government grant income	5	**93.4**	–
Deferred income received		**17.4**	13.9
Proceeds from disposals	12,16	**14.9**	60.0
Purchase of businesses, joint ventures and subsidiaries	12,16	**(42.9)**	(642.7)
Loans and equity provided to joint ventures and associates	16	**(443.6)**	(621.8)
Loans and equity repaid by joint ventures	16	**14.6**	61.4
Decrease/(increase) in other investments	16	**0.4**	(19.1)
Net cash from investing activities		**(2,858.3)**	(2,964.4)
Proceeds from issue of share capital	22	**9.2**	18.0
Dividends paid to company's equity holders	11	**(917.8)**	(474.3)
Share buy backs	22	**–**	(107.6)
Proceeds from divestments	12	**–**	1,448.1
Hybrid equity dividend payments	22	**(73.1)**	(38.8)
Employee share awards share purchase	22	**(21.8)**	(23.4)
Issue of hybrid instruments	22	**–**	831.4
New borrowings	21	**1,982.2**	1,914.7
Repayment of borrowings	21	**(1,842.7)**	(2,242.5)
Settlement of cashflow hedges		**6.4**	(12.7)
Net cash from financing activities		**(857.6)**	1,312.9
Net increase/(decrease) in cash and cash equivalents		**144.1**	(157.5)
Cash and cash equivalents at the start of year	21	**891.8**	1,049.3
Net increase/(decrease) in cash and cash equivalents		**144.1**	(157.5)
Cash and cash equivalents at the end of year	21	**1,035.9**	891.8

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

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 2024 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 310 to 323.

1.2. Basis of preparation

Statement of compliance

The financial statements were authorised for issue by the directors on 21 May 2024. 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 2025. 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 296.

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 271.

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 209 to 211.

Changes to presentation and prior year adjustments

The prior year comparatives at 31 March 2023 have been restated following the adoption of IFRS 17 'Insurance Contracts' ('IFRS 17') and the amendment to IAS 12 'Deferred Tax relating to Assets and Liabilities arising from a Single Transaction' ('IAS 12'), as disclosed in the section below 2.1.

Segments

In accordance with the requirements of IFRS 8 'Operating Segments' the Group has aligned its segmental disclosures with its revised internal reporting following changes to the Group's structure and operations. These segments are used internally by the Group Executive Committee in order to assess operating performance and to make decisions on how to allocate capital. Consequently, the segmental results reported in the Group's operating segments have been restated with effect from 1 April 2022. During the year to 31 March 2024, SSE Renewables assumed responsibility for the development, delivery and operation of battery storage and solar assets in Great Britain from SSE Enterprise (formerly Distributed Energy), aligning that activity with its international operations. In addition, the Building Energy Management Systems ('BEMS') activity has been assumed by SSE Business Energy. Accordingly, the result from the Group's battery and solar business and BEMS will now be reported within SSE Renewables and Energy Customers Solutions respectively. Comparative segmental information in note 5 has been re-presented to reflect the change to these segments. The impacts of the restatements are a decrease to the adjusted operating profit of SSE Renewables (2023: £18.2m), a decrease to the adjusted operating profit of SSE Business Energy (2023: £2.2m) and a decrease to the adjusted operating loss of SSE Enterprise (2023: £20.4m). Additionally, adjusted capital expenditure has been re-presented with an increase to SSE Renewables (2023: £74.0m), an increase to SSE Business Energy (2023: £0.4m) and a decrease to SSE Enterprise (2023: £74.4m). Revenue has been re-presented with an increase to SSE Business Energy (2023: £46.0m) and a decrease to SSE Enterprise (2023: £46.0m). Finally, note that there were two changes to the names of segments in the year: 1) Distributed Energy was renamed SSE Enterprise and 2) EPMI was renamed SSE Energy Markets.

Derivative financial liabilities prior year adjustment

A prior year adjustment has been made to reflect the restatement of derivative financial liabilities as a result of an incorrect classification split in the prior year. The adjustment has been to present non-current derivative financial liabilities as £243.3m (previously £1,021.0m) and current derivative financial liabilities as £1,021.0m (previously £243.3m). This adjustment has no impact on retained earnings, net assets or adjusted performance measures of the Group, at any reporting date.

Investments presentation change

In the current year the classification of an investment of £24.1m has been reassessed and reclassified from 'Other investments' to 'Equity investments in joint ventures and associates'. The investment has been recognised as an associate reflecting the Group's level of ownership and influence over the investee; comparative amounts have not been re-presented.

Changes to estimates

On 31 March 2024, the Group's Thermal business unit reviewed the useful economic life of the Peterhead, Keadby and Medway CCGT assets and extended their useful lives to 2030 following the award of capacity mechanism contracts. The change in useful economic life had no impact on the depreciation charge for the year ended 31 March 2024, but will reduce the depreciation charge for the year ending 31 March 2025 by £16.4m.

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 271 to 281.

2.1. New standards, amendments and interpretations effective or adopted by the Group

On 1 April 2023, the Group adopted IFRS 17 and the amendments to IAS 12 on a modified retrospective basis from the earliest period presented in these financial statements.

The Group provides guarantees in respect of certain activities of former subsidiaries and to certain current joint venture investments. Prior to adoption of IFRS 17, these contracts were designated as insurance contracts under IFRS 4 'Insurance Contracts' ('IFRS 4'). Under IFRS 4, existing accounting practices were grandfathered and the contracts were treated as contingent liabilities until such time as it became probable the Group would be required to make payment to settle the obligation. The adoption of IFRS 17 from 1 April 2022 resulted in a reassessment of these contracts and the Group elected to apply the valuation principles of IFRS 9 to these contracts. Adoption resulted in the recognition of financial guarantee liabilities of £54.9m; a £22.7m increase in equity investments in joint ventures and associates; and a £32.2m adjustment to retained earnings. On 1 September 2022, the Group acquired a 50% joint venture investment in Triton Power Holdings Limited ('Triton') and provided parent company guarantees to Saltend Cogeneration Company Limited, a subsidiary of Triton. In the comparative year to 31 March 2023, the Group has therefore recognised a further £16.0m increase to the Group's financial guarantee liabilities to reflect this guarantee and a £16.0m increase to the Group's equity investment in Triton.

During the current year to 31 March 2024, the Group recognised a net decrease in financial guarantee liabilities of £31.4m, a reduction in the value of its joint venture investments of £6.9m and a settlement of £12.0m resulting in a net income statement credit of £12.5m, of which £5.1m has been treated as exceptional. During the six month period to 30 September 2023, the Group recognised an exceptional expense of £50.5m in relation to guarantees provided to its former subsidiary Enerveo Limited. During the second half of the financial year the Group completed the reacquisition of Enerveo and reversed the entries arising from the adoption of IFRS 17 that eliminate on consolidation (see note 7 for further details).

The Group has identified that IFRS 17 impacts the results of its captive insurance subsidiary as it issues insurance contracts, however only the subsidiary's reinsurance contracts do not eliminate on consolidation. The accounting for these contracts under IFRS 17 is immaterial to the Group's consolidated financial statements.

The adoption of the amendments to IAS 12 resulted in an increase of £50.1m (2023: £45.5m) to the Group's gross deferred tax assets and gross deferred tax liabilities recognised in relation to the Group's decommissioning obligations and a reclassification of £79.5m of gross deferred tax assets. Adoption had no impact on retained earnings or profits recognised in presented periods.

In the year, the Group also adopted the amendments to:

- IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' in relation to disclosure of accounting policies;
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' in relation to the definition of accounting estimates; and
- Pillar Two Model Rules (Amendments to IAS 12) as issued on 23 May 2023, was substantively enacted in the UK from 20 June 2023. The amendments to IAS 12 introduce a temporary mandatory relief from accounting for deferred tax that arises from legislation implementing OECD Pillar Two. SSE has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Adoption of these other amendments had no material impact on these Financial Statements. There were no other standards, amendments to standards or interpretations relevant to the Group's operations which were adopted during the year.

2.2. New standards, amendments and interpretations issued, but not yet adopted by the Group

On 9 April 2024, subsequent to the balance sheet date, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements'. The Group will assess the expected impact of the adoption of the standard during the forthcoming year. A number of other 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. These amendments 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 190 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 63, '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 held and 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 190 to 197.

APM Where the Group have referred to an adjusted performance measure in the financial statements the following sign is presented to denote this.

3. Adjusted accounting measures continued

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.

Examples of items that may be considered exceptional include material asset, investment or business impairment charges; reversals of historic exceptional impairments; certain business restructuring and reorganisation costs; significant realised gains or losses on disposal; unrealised fair value adjustments on acquisition or disposals; and provisions in relation to significant disputes and claims.

The Group operates a policy framework for establishing whether items should be considered to be exceptional. This framework, which is reviewed annually, is based on the materiality of the item, 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 (2023: £40.0m) will be considered exceptional, with a potentially lower threshold applied to strategic restructuring of activities or discontinued operations, which will respectively be considered on a case by case basis or will always be treated as exceptional. 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 recorded in the adjusted 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 the contracts are held for the Group's own use requirements; the fair value of these contracts is not recorded and the value associated with the contract is not recognised 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.

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 highlighted separately.

The Group has made no changes to its significant financial judgement areas during the year. In the year ended 31 March 2024 the Group completed the implementation and migration of customers to a new billing system within the Group's SSE Business Energy segment. The migration of customers late in the financial year has resulted in the level of judgement applied in the SSE Business Energy revenue accrual increasing year on year (see 4.1 (iii) below).

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 2024 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 – estimation uncertainty
Revenue from energy supply activities undertaken by the SSE Business Energy and SSE 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 aggregated estimated customer consumption, taking account of various factors including tariffs, consumption patterns, customer mix, metering data, operational issues relating to the billings process and externally notified aggregated volumes supplied to customers from national settlements bodies. During the year, the Group's SSE Business Energy segment completed the implementation of a new billing system which included the migration of customer accounts and balances. Due to the timing of the data migration, which occurred in the second half of the financial year for the majority of customers, the level of unbilled sales and hence the level of judgement applied in determining the sales accrual for these customers is higher than in previous years. The Group has recognised a provision against this accrual to reflect that customer billing delays may result in poorer collection performance.

In recent years the impact of government-backed customer support schemes has been material to the judgement applied. However, in the current year the level of judgement required is significantly less material. 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 consumption patterns and aggregated metering data used in industry reconciliation processes. Furthermore, unbilled revenue is compared to billings in the period between the balance sheet date and the finalisation of the financial statements which has provided evidence of a catch-up of post implementation billings and hence support to the accrual recognised.

Given the requirement of management to apply judgement particularly in the current year in relation to the impact of the data and process migration referred to above, unbilled 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.

4. Accounting judgements and estimation uncertainty continued

4.1. Significant financial judgements and estimation uncertainties continued

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 2024, the carrying value (net of expected credit loss provision of £1.6m (2023: £1.5m)) is £170.1m (2023: £149.5m).

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. 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 2022 statutory financial statements; 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') 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 Group's sixth and seventh green bonds were issued during the year (see note 21). The proceeds of these green bonds were allocated to fund Renewable wind farm and Transmission network 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 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 2024, 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 has assessed that the useful economic lives of Peterhead, Keadby and Medway power stations now extend to March 2030, and these changes in end of life assumptions have been reflected in the annual impairment process. 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 lives of these assets have not been shortened when preparing the 31 March 2024 financial statements. The Group assesses the useful economic life of its property, plant and equipment assets annually.

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 2024 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 'Impairment of Assets'. 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 generating 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 2024, 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 a 15% reduction in achievable volume would result in significant headroom on the carrying value of the UK and Ireland assets at 31 March 2024 (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.

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 2024 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 £219.7m (2023: £201.4m). At 31 March 2024, the impact of discounting of this retained provision is £68.3m (2023: £64.5m), which is expected to be incurred across the period to 31 March 2040. 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 31 March 2024 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

On 31 March 2024, the Group's Thermal business unit reviewed the useful economic life of the Peterhead, Keadby and Medway CCGT assets and extended their useful lives to 2030 following the award of capacity mechanism contracts. The change in useful economic life has been applied prospectively and had no impact on the results for the year ended 31 March 2024. The depreciation charge for the year ending 31 March 2025 will be reduced by £16.4m. There were no other changes to accounting judgements and estimation uncertainties during the year.

4.3. Other areas of estimation uncertainty

i. Tax provisioning

In the financial statements to 31 March 2024, the Group has no provision for uncertain tax positions included in current tax liabilities (2023: £nil).

The Group applies IFRIC 23 'Uncertainty over Income Tax Treatments' in respect of uncertain tax positions. 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.

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. The last 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 Production business where reassessment of gas and liquids reserves and fluctuations in commodity prices can lengthen or shorten the field life.

Further detail on the assumptions applied, including expected decommissioning dates, and movement in decommissioning costs during the year are disclosed at note 20.

iii. Valuation of SSE Business Energy trade receivables

During the financial year, the Group's SSE Business Energy segment completed the implementation of a new billing system which included the migration of customer accounts and balances. The migration has resulted in delays to billings (as noted in note 4.1(iii) above) and delays to collection activities, meaning that aged debt balances and provisions recognised against these balances are higher than would normally be expected. The Group's processes for recognising bad debt provisions are based on historic collection performance adjusted for expected future improvement or decline against this performance. In the current year, an estimate of expected deterioration in debt collection due to billing and collection delays has been included within the recognised provision. Further details on the Group's credit risk provisions are provided within note A6.

5. Segmental information

The changes to the Group's segments in the year are explained in note 1.2 and includes the realignment of the activities of the Distributed Energy (now SSE Enterprise) business. Comparative information has been re-presented to reflect the change to these segments. The Group's "Corporate unallocated" segment contains the Group's residual corporate central costs which are not allocated to individual segments, and includes the contribution from the Group's joint venture investment in Neos Networks Limited. Any impact of the acquisition of Enerveo Limited on 22 March 2024 has been recognised within "Corporate unallocated".

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 and 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 Energy Markets and in Ireland is sold to SSE 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. During the year ended 31 March 2024, Renewables has taken responsibility for the development, delivery and operation for battery storage and solar assets in Great Britain from SSE Enterprise, aligning that activity with its international operations.
Thermal	SSE Thermal	The generation of electricity from thermal plants including CCGTs 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 Energy Markets 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	SSE Business Energy	The supply of electricity and gas to business customers in Great Britain and smart buildings (BEMS) activity. 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.
	SSE 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.
SSE Enterprise	SSE Enterprise	The provision of low carbon energy solutions to customers; behind-the-meter solar and battery solutions, EV charging activities, private electric networks and heat and cooling networks. As noted above, during the year, the front of the meter battery storage and solar asset activity in Great Britain was transferred to SSE Renewables and smart buildings (BEMS) activity was transferred to SSE Business Energy.
SSE Energy Markets	SSE Energy Markets	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.

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, the impact of depreciation on fair value uplifts and after the removal of taxation and interest on profits from joint ventures and associates.

Analysis of revenue, operating profit, capital expenditure 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 2024 £m	Inter-segment revenue(i) 2024 £m	Segment revenue 2024 £m	Reported revenue (restated*) 2023 £m	Inter-segment revenue(i) 2023 £m	Segment revenue (restated*) 2023 £m
Continuing operations						
SSEN Transmission	**885.2**	**–**	**885.2**	656.1	–	656.1
SSEN Distribution	**1,004.0**	**45.9**	**1,049.9**	1,102.7	81.0	1,183.7
SSE Renewables	**335.5**	**876.3**	**1,211.8**	334.8	602.7	937.5
SSE Thermal	**571.0**	**3,123.9**	**3,694.9**	740.4	3,863.8	4,604.2
Gas storage	**11.2**	**2,948.4**	**2,959.6**	12.2	5,147.5	5,159.7
Energy Customer Solutions						
SSE Business Energy	**3,183.2**	**48.5**	**3,231.7**	3,359.5	59.4	3,418.9
SSE Airtricity	**2,021.2**	**170.0**	**2,191.2**	1,776.9	233.1	2,010.0
SSE Enterprise	**91.9**	**23.6**	**115.5**	93.1	20.1	113.2
SSE Energy Markets:						
Gross trading	**15,074.3**	**7,951.4**	**23,025.7**	24,700.6	11,972.4	36,673.0
Optimisation trades	**(12,785.1)**	**(2,674.2)**	**(15,459.3)**	(20,351.8)	(937.3)	(21,289.1)
SSE Energy Markets	**2,289.2**	**5,277.2**	**7,566.4**	4,348.8	11,035.1	15,383.9
Corporate unallocated	**64.8**	**250.9**	**315.7**	66.2	232.1	298.3
Total SSE Group	**10,457.2**	**12,764.7**	**23,221.9**	12,490.7	21,274.8	33,765.5

(i) Significant inter-segment revenue is derived from the sale of power and stored gas from SSE Renewables, SSE Thermal, Gas Storage and SSE Enterprise to SSE Energy Markets; use of system income received by SSEN Distribution from SSE Business Energy; SSE Business Energy provides internal heat and light power supplies to other Group companies; SSE Energy Markets provides power, gas and other commodities to SSE Business Energy and SSE Airtricity; and Corporate unallocated (SSE Services and related parties) 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 1.2.

5. Segmental information continued

5.1. Segmental information disclosure continued

i. Revenue by segment continued

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 2024 £m	Supply of energy and ancillary services 2024 £m	Construction related services 2024 £m	Other contracted services 2024 £m	Physical energy 2024 £m	Gas storage 2024 £m	Other revenue 2024 £m	Total revenue from contracts with customers 2024 £m	Other contract revenue 2024 £m	Total 2024 £m
Continuing operations										
SSEN Transmission	854.1	–	–	18.8	–	–	12.3	885.2	–	885.2
SSEN Distribution	951.2	–	–	14.0	–	–	16.9	982.1	21.9	1,004.0
SSE Renewables	–	58.6	–	104.0	169.5	–	3.4	335.5	–	335.5
SSE Thermal	–	531.5	–	–	–	–	39.5	571.0	–	571.0
Gas Storage	–	–	–	–	–	11.2	–	11.2	–	11.2
Energy Customer Solutions										
SSE Business Energy	–	3,135.4	–	–	–	–	47.8	3,183.2	–	3,183.2
SSE Airtricity	–	1,999.2	–	–	–	–	22.0	2,021.2	–	2,021.2
SSE Enterprise	18.6	30.7	4.7	–	–	–	32.1	86.1	5.8	91.9
SSE Energy Markets	–	–	–	–	2,136.5	–	152.7	2,289.2	–	2,289.2
Corporate unallocated	–	–	–	–	–	–	64.8	64.8	–	64.8
Total SSE Group	1,823.9	5,755.4	4.7	136.8	2,306.0	11.2	391.5	10,429.5	27.7	10,457.2

	(restated*)									
	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										
SSE Business Energy	–	3,313.5	–	–	–	–	46.0	3,359.5	–	3,359.5
SSE Airtricity	–	1,756.7	–	–	–	–	20.2	1,776.9	–	1,776.9
SSE Enterprise	16.4	29.5	14.4	–	–	–	27.0	87.3	5.8	93.1
SSE Energy Markets	–	–	–	–	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

* The comparative disaggregated segment revenue has been restated. See note 1.2.

Included within trade and other receivables (note 18) is £663.7m (2023: £666.1m) of unbilled energy income. Included within trade and other payables (note 19) is £253.6m (2023: £215.4m) 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 SSE Enterprise 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:

	2024 £m	2023 £m
UK	**8,797.6**	10,899.8
Ireland	**1,659.6**	1,590.9
	10,457.2	12,490.7

5. Segmental information continued

5.1. Segmental information disclosure continued

ii. Operating profit/(loss) by segment

	2024							
	Adjusted operating profit reported to the Board APM £m	Depreciation on fair value uplifts £m	Joint Venture/ 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	419.3	–	–	–	139.8	559.1	–	559.1
SSEN Distribution	272.1	–	–	–	–	272.1	–	272.1
SSE Renewables	833.1	(19.0)	(145.7)	–	(0.7)	667.7	(37.4)	630.3
SSE Thermal	736.1	–	(13.1)	–	–	723.0	(78.6)	644.4
Gas Storage	82.8	–	–	–	–	82.8	(125.0)	(42.2)
Energy Customer Solutions								
SSE Business Energy	95.8	–	–	–	–	95.8	–	95.8
SSE Airtricity	95.0	–	(0.5)	–	–	94.5	–	94.5
SSE Enterprise	(25.6)	–	–	–	–	(25.6)	–	(25.6)
SSE Energy Markets	38.9	–	–	–	–	38.9	551.1	590.0
Corporate								
Corporate unallocated	(88.8)	–	–	(9.9)	–	(98.7)	4.6	(94.1)
Neos Networks	(32.3)	–	(10.2)	–	–	(42.5)	(73.6)	(116.1)
Total SSE Group	2,426.4	(19.0)	(169.5)	(9.9)	139.1	2,367.1	241.1	2,608.2

The adjusted operating profit of the Group is reported after removal of the Group's share of interest, fair value movements on operating 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.

(ii) Operating profit/(loss) by segment

	2023 (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	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	561.8	(18.8)	(103.0)	–	(1.9)	438.1	(10.0)	428.1
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								
SSE Business Energy	15.7	–	–	–	–	15.7	–	15.7
SSE Airtricity	5.6	–	(0.4)	–	–	5.2	–	5.2
SSE Enterprise	(7.0)	–	–	–	–	(7.0)	(6.1)	(13.1)
SSE Energy Markets	80.4	–	–	–	–	80.4	(2,706.4)	(2,626.0)
Corporate								
Corporate unallocated	(87.0)	–	–	50.5	–	(36.5)	9.7	(26.8)
Neos Networks	(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 comparative operating profit by segment information has been restated. See note 1.2.

5. Segmental information continued

5.1. Segmental information disclosure continued

iii. Capital and investment expenditure by segment

	Capital additions to intangible assets 2024 £m	**Capital additions to property, plant and equipment 2024 £m**	Capital additions to intangible assets 2023 £m (restated*)	Capital additions to property, plant and equipment 2023 £m (restated*)
Continuing operations				
SSEN Transmission	**12.8**	**784.7**	7.2	536.6
SSEN Distribution	**20.3**	**636.8**	15.2	486.8
SSE Renewables	**355.1**	**433.8**	731.5	340.5
SSE Thermal	**83.3**	**24.6**	20.8	44.5
Gas Storage	**–**	**0.8**	–	6.3
Energy Customer Solutions				
SSE Business Energy	**43.7**	**–**	38.9	0.4
SSE Airtricity	**14.1**	**0.7**	10.5	–
SSE Enterprise	**26.4**	**32.4**	16.2	37.0
SSE Energy Markets	**723.4**	**–**	809.9	–
Corporate unallocated	**35.1**	**57.6**	38.4	48.0
Total SSE Group	**1,314.2**	**1,971.4**	1,688.6	1,500.1
Increase in prepayments related to capital expenditure	**–**	**215.1**	–	6.8
Tarbert temporary generation additions	**–**	**93.4**	–	–
Decrease/(increase) in trade payables related to capital expenditure	**2.5**	**(84.6)**	(31.8)	132.2
Customer funded additions	**–**	**(152.0)**	–	(80.9)
Lease asset additions	**–**	**(73.0)**	–	(78.5)
Less non-cash items:				
Allowances and certificates	**(346.6)**	**–**	(208.4)	–
Assets acquired through acquisitions	**–**	**–**	(515.2)	–
Net cash outflow	**970.1**	**1,970.3**	933.2	1,479.7

* The comparatives have been restated. See note 1.2.

Capital additions do not include assets acquired in acquisitions, assets acquired under leases or assets constructed that the Group were reimbursed by way of a government grant. During the year construction commenced on a temporary generation plant at the Group's Tarbert site for which the Group received reimbursements totalling £93.4m from government bodies (presented separately on the cash flow statement). Capital additions to intangible assets includes the cash purchase of emissions allowances and certificates (2024: £427.9m; 2023: £596.8m). 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.

iii. Capital and investment expenditure by segment

At 31 March 2024	Capital additions to intangible assets 2024 £m	Capital additions to property, plant and equipment 2024 £m	Capital Investment relating to Joint Ventures and Associates[(i)] £m	Allowances and certificates[(ii)] £m	Customer funded additions[(iii)] £m	Lease asset additions[(iv)] £m	Share of non-controlling interests[(v)] £m	Adjusted Investment and Capital Expenditure 2024 APM £m
Continuing operations								
SSEN Transmission	**12.8**	**784.7**	**–**	**–**	**–**	**(2.5)**	**(199.4)**	**595.6**
SSEN Distribution	**20.3**	**636.8**	**–**	**–**	**(152.0)**	**–**		**505.1**
SSE Renewables	**355.1**	**433.8**	**324.5**	**–**	**–**	**(16.3)**	**–**	**1,097.1**
SSE Thermal	**83.3**	**24.6**	**51.4**	**(59.7)**	**–**	**–**	**–**	**99.6**
Gas Storage	**–**	**0.8**	**–**	**–**	**–**	**–**	**–**	**0.8**
Energy Customer Solutions								
SSE Business Energy	**43.7**	**–**	**–**	**–**	**–**	**–**	**–**	**43.7**
SSE Airtricity	**14.1**	**0.7**	**–**	**–**	**–**	**–**	**–**	**14.8**
SSE Enterprise	**26.4**	**32.4**	**–**	**–**	**–**	**(7.8)**	**–**	**51.0**
SSE Energy Markets	**723.4**	**–**	**–**	**(714.8)**	**–**	**–**	**–**	**8.6**
Corporate unallocated	**35.1**	**57.6**	**14.1**	**–**	**–**	**(46.4)**	**–**	**60.4**
Total SSE Group	**1,314.2**	**1,971.4**	**390.0**	**(774.5)**	**(152.0)**	**(73.0)**	**(199.4)**	**2,476.7**

(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 in respect of right of use assets recognised on the commencement date of a lease arrangement.
(v) Represents the share of capital additions attributable to non-controlling interests.

5. Segmental information continued

5.1. Segmental information disclosure continued

iii. Capital and investment expenditure by segment continued

	(restated*)								
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 certificates(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	731.5	340.5	391.8	–	–	(515.2)	(37.1)	–	911.5
SSE Thermal	20.8	44.5	87.9	–	–	–	–	–	153.2
Gas Storage	–	6.3	–	–	–	–	–	–	6.3
Energy Customer Solutions									
SSE Business Energy	38.9	0.4	–	–	–	–	–	–	39.3
SSE Airtricity	10.5	–	–	–	–	–	–	–	10.5
SSE Enterprise	16.2	37.0	–	–	–	–	(2.9)	–	50.3
SSE Energy Markets	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

* The comparatives have been restated. See note 1.2.

(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 SSE 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 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.

(iv) Items included in operating profit/(loss) by segment

	Depreciation/impairment on property, plant and equipment			Amortisation/impairment of intangible assets		
	Before exceptional charges 2024 £m	Impairment charges/ (credits) 2024 £m	Total 2024 £m	Before exceptional charges 2024 £m	Impairment charges/ (credits) 2024 £m	Total 2024 £m
Continuing operations						
SSEN Transmission	**123.8**	**–**	**123.8**	**6.3**	**–**	**6.3**
SSEN Distribution	**182.8**	**–**	**182.8**	**12.0**	**–**	**12.0**
SSE Renewables	**159.7**	**(4.8)**	**154.9**	**1.6**	**15.4**	**17.0**
SSE Thermal	**100.8**	**–**	**100.8**	**3.2**	**–**	**3.2**
Gas Storage	**12.4**	**134.1**	**146.5**	**–**	**–**	**–**
Energy Customer Solutions						
SSE Business Energy	**0.3**	**–**	**0.3**	**8.8**	**–**	**8.8**
SSE Airtricity	**0.1**	**–**	**0.1**	**5.0**	**–**	**5.0**
SSE Enterprise	**7.2**	**0.1**	**7.3**	**2.9**	**–**	**2.9**
SSE Energy Markets	**–**	**–**	**–**	**5.1**	**–**	**5.1**
Corporate unallocated	**41.5**	**4.0**	**45.5**	**18.4**	**18.3**	**36.7**
Total SSE Group	**628.6**	**133.4**	**762.0**	**63.3**	**33.7**	**97.0**

	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						
SSE Business Energy	0.2	–	0.2	4.5	–	4.5
SSE Airtricity	0.1	–	0.1	6.8	–	6.8
SSE Enterprise	4.7	0.4	5.1	1.7	–	1.7
SSE Energy Markets	–	–	–	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

5. Segmental information continued

5.1. Segmental information disclosure continued

(v) Earnings before interest, taxation, depreciation and amortisation ('EBITDA')

	Adjusted operating profit reported to the Board (note 5.1 (ii)) APM 2024 £m	Depreciation on fair value uplifts 2024 £m	Depreciation/ Impairment/ amortisation before exceptional charges (note 5.1 (iv)) 2024 £m	Joint Venture/ Associate share of depreciation and amortisation (note 16.4) 2024 £m	Release of deferred income (note 6) 2024 £m	Share of non-controlling interest depreciation and amortisation 2024 £m	Adjusted EBITDA APM 2024 £m
Continuing operations							
SSEN Transmission	419.3	–	130.1	–	(2.0)	(32.5)	514.9
SSEN Distribution	272.1	–	194.8	–	(9.9)	–	457.0
SSE Renewables	833.1	(19.0)	171.9	121.6	–	–	1,107.6
SSE Thermal	736.1	–	104.0	40.6	–	–	880.7
Gas Storage	82.8	–	12.4	–	–	–	95.2
Energy Customer Solutions							
SSE Business Energy	95.8	–	9.1	–	–	–	104.9
SSE Airtricity	95.0	–	5.1	–	–	–	100.1
SSE Enterprise	(25.6)	–	10.2	–	(0.5)	–	(15.9)
SSE Energy Markets	38.9	–	5.1	–	–	–	44.0
Corporate							
Corporate unallocated	(88.8)	–	82.2	–	(0.6)	–	(7.2)
Neos Networks	(32.3)	–	–	46.6	–	–	14.3
Total SSE Group	2,426.4	(19.0)	724.9	208.8	(13.0)	(32.5)	3,295.6

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 £179.6m (2023: £146.9m) resulting in EBITDA on continuing operations for inclusion in the Debt to EBITDA metric of £3,116.0m (2023: £3,235.2m).

For 31 March 2024 the £724.9m (2023: £704.2m) combined depreciation, impairment and amortisation charges included non-exceptional impairments net of reversals totalling £33.0m (2023: £43.9m).

(v) Earnings before interest, taxation, depreciation and amortisation ('EBITDA')

	(restated*)						
	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	Joint Venture/ 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	561.8	(18.8)	179.8	92.8	(0.1)	–	815.5
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							
SSE Business Energy	15.7	–	4.7	–	–	–	20.4
SSE Airtricity	5.6	–	6.9	–	–	–	12.5
SSE Enterprise	(7.0)	–	6.8	–	(0.2)	–	(0.4)
SSE Energy Markets	80.4	–	6.0	–	–	–	86.4
Corporate							
Corporate unallocated	(87.0)	–	72.7	–	(0.9)	–	(15.2)
Neos Networks	(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

* The comparative adjusted operating profit by segment information has been restated. See note 1.2.

6. Other operating income and cost

Group operating profit on continuing operations is stated after charging/(crediting) the following items:

	2024 £m	2023 £m
Depreciation of property, plant and equipment on continuing operations(i) (note 14)	**628.6**	605.7
Net exceptional gains on acquisitions and disposals (note 7)	**(4.6)**	(89.1)
Exceptional charges (continuing operations) (note 7)	**270.9**	230.4
Research costs	**12.7**	10.8
Lease charges(ii)	**11.2**	11.7
Release of deferred income in relation to capital grants and historic customer contributions	**(13.0)**	(13.9)
Government grant income(iii)	**(107.7)**	(1,012.6)
Amortisation of other intangible assets	**–**	0.3

(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 £6.2m (2023: £10.4m) were charged in the current year.
(iii) During the year the Group received £107.7m (2023: £1,012.6m) of income from government funded customer support schemes. All amounts received were passed to the Group's energy customers in the UK 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

	2024 £m	2023 £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	**5.1**	3.2
Audit related assurance services	**0.3**	0.3
Other services fees	**0.2**	0.1
	5.6	3.6
Total remuneration paid to auditor	**6.0**	4.0

Audit fees incurred in the current year include scope changes for non-recurring items and overruns of £0.9m (2023: £0.4m) related to the prior year audit. Assurance and Tax service fees incurred in the year were £0.5m (2023: £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 144 to 151 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

7. Exceptional items and certain re-measurements

	2024 £m	2023 £m
Continuing operations		
Exceptional items (note 7.1)		
Asset impairments and related charges	**(270.9)**	(233.6)
Net gains on acquisitions/disposals of businesses and other assets	**4.9**	233.2
Total exceptional items	**(266.0)**	(0.4)
Certain re-measurements		
Movement on operating derivatives (note 24)	**452.2**	(2,708.2)
Movement in fair value of commodity stocks	**9.1**	(9.0)
Movement on financing derivatives (note 24)	**6.1**	201.9
Share of movement on derivatives in jointly controlled entities (net of tax)	**46.1**	163.8
Total certain re-measurements	**513.5**	(2,351.5)
Exceptional items and certain re-measurements on continuing operations before taxation	**247.5**	(2,351.9)
Taxation		
Taxation on other exceptional items	**23.3**	(34.1)
Taxation on certain re-measurements	**(115.0)**	499.6
Taxation	**(91.7)**	465.5
Total exceptional items and certain re-measurements on continuing operations after taxation	**155.8**	(1,886.4)
Discontinued operations		
Exceptional items and certain re-measurements		
Gas production asset impairments and related credits	**–**	35.0
Total exceptional items and certain re-measurements on discontinued operations after taxation	**–**	35.0

Exceptional items and certain remeasurements are disclosed across the following categories within the income statement:

	2024 £m	2023 £m
Continuing operations		
Cost of sales:		
Movement on operating derivatives (note 24)	**452.2**	(2,708.2)
Movement in fair value of commodity stocks	**9.1**	(9.0)
	461.3	(2,717.2)
Operating costs:		
Asset impairments and reversals	**(270.9)**	(233.6)
Other exceptional provisions and charges	**–**	3.2
	(270.9)	(230.4)
Operating income:		
Net gains on acquisition/disposals of businesses and other assets	**4.6**	89.1
	4.6	89.1
Joint ventures and associates:		
Net gains on acquisition of a joint venture	**–**	140.7
Share of movement on derivatives in jointly controlled entities (net of tax)	**46.1**	163.8
	46.1	304.5
Operating profit/(loss)	**241.1**	(2,554.0)
Finance income		
Movement on financing derivatives (note 24)	**6.1**	201.9
Interest income on deferred consideration receipt	**0.3**	0.2
	6.4	202.1
Profit before tax on continuing operations	**247.5**	(2,351.9)
Discontinued operations		
Gas Production asset impairments and related credits	**–**	35.0
Profit before tax on discontinued operations	**–**	35.0

7. Exceptional items and certain re-measurements continued

7.1. Exceptional items

Exceptional items in the year ended 31 March 2024

In the year to 31 March 2024, the Group recognised a net exceptional charge of £266.0m arising from its continuing operations. The net exceptional charge is primarily due to an exceptional impairment charge relating to the Group's gas storage assets of £134.1m, an exceptional impairment of £63.2m against the carrying value of the Group's investment in Triton Power Holdings Limited and an exceptional impairment charge of £73.6m against the Group's investment in Neos Networks.

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	Other assets £m	Total charges/ (credits) £m
Triton Power 50% joint venture – investment impairment charge (i)	–	–	63.2	–	63.2
Gas Storage – impairment charge (ii)	134.1	–	–	–	134.1
Neos Networks 50% joint venture – impairment charge (iii)	–	–	73.6	–	73.6
Enerveo acquisition (iv)	–	(18.3)	–	13.7	(4.6)
Other credits (v)	–	–	–	(0.3)	(0.3)
Total exceptional items continuing operations	**134.1**	**(18.3)**	**136.8**	**13.4**	**266.0**

(i) Triton Power 50% joint venture – investment impairment charge

The Group has recognised an impairment charge of £63.2m, against the carrying value of the Group's investment in Triton Power Holdings Limited, reflecting future market price assumptions. The impairment was recognised in the first half of the year and, due to indicators of impairment existing at 31 March 2024, a formal impairment review was also performed as at that date (see note 15.2). As a result of this assessment, the Group has not recognised any further charges or reversals to the investment carrying value of the Group's investment in Triton Power Holdings Limited.

(ii) Gas Storage – impairment charge

The Group performed a formal impairment review at 31 March 2024 to reassess the carrying value of its Gas Storage operations at Aldbrough and Atwick (see note 15.2). As a result of the assessment, the Group recognised an exceptional impairment charge of £85.7m to the carrying value of the assets at Aldbrough and £48.4m to the carrying value of the assets at Atwick.

(iii) Neos Networks 50% joint venture – impairment charge

At 31 March 2024, the Group has performed a formal impairment assessment on the carrying value of its 50% joint venture investment, including shareholder loan balances, in Neos Networks Limited. The assessment indicated that the recoverable amount of the investment and shareholder loan receivable balances are impaired by £73.6m. See note 15.2 for further details of this impairment.

(iv) Enerveo acquisition

On 22 March 2024, the Group purchased the entire share capital of Enerveo Limited from Aurelius Antelope Limited for cash consideration of £1.0m. Enerveo Limited is a former subsidiary of SSE plc and the reacquisition reduces the Group's potential exposure to risk arising from performance guarantees provided by the Group. At 30 September 2023, the Group had recorded an exceptional charge of £50.5m in relation to its projected exposure in relation to these guarantees as part of its adoption of IFRS 17. On reacquisition this risk has been reduced and the exceptional charge recognised in the 6 months to 30 September 2023 has been reversed. Due to provisions that the Group had previously recognised for amounts due from Enerveo and Aurelius, the completion of the transaction has resulted in an exceptional credit of £4.6m being recognised on acquisition. Further detail on the transaction is included in note 12.1.

(v) Other credits

At 31 March 2024, the Group recognised further exceptional credits of £0.3m relating 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.

Taxation

The Group has separately recognised the tax effect of the exceptional items summarised above.

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 was 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 combined 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 – investment acquisition and impairment (iv)	–	–	150.9	–	–	150.9
Neos Networks 50% joint venture – investment impairment charge (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 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. As a result of the review, the Group 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 on its Aldbrough Gas Storage facility due to future market price assumptions observable at that time. The Group also performed a formal impairment review at 31 March 2023 to reassess the carrying value of its Gas Storage operations at Atwick and Aldbrough. As a result of the assessment, the Group recognised an exceptional impairment of £155.4m to the carrying value of the assets at Aldbrough, resulting in a net impairment reversal for the year of £45.7m. The impairment previously recognised in relation to Atwick was fully reversed in the year ended 31 March 2022, and no impairment was required for the financial year ended 31 March 2023.

(iii) Fiddler's Ferry – land sale

On 30 June 2022, the Fiddler's 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 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 headline consideration of £341.0m, shared equally with co-venturers Equinor (see note 12). The purchase price 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 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 ended 31 March 2023, 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 investment was lower at 31 March 2023 than at 1 September 2022 and the Group 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 in the financial year to 31 March 2023 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 re-measurements		**(21.1)**

(v) Neos Networks 50% joint venture – investment impairment and adjustments to consideration

At 31 March 2023, the Group assessed that the recoverable amount of its investment in Neos Networks was impaired by £37.7m, of which £5.9m was treated as exceptional. £5.9m of the impairment related to the fair value gain previously recognised on acquisition of the joint venture investment in March 2019, which was treated as an exceptional item. This reversal was recognised separately within exceptional items for consistent presentation. The balance of the impairment charge, being £31.8m, was recognised as part of adjusted operating profit.

7. Exceptional items and certain re-measurements continued

7.1. Exceptional items continued

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 released the £35.0m provision relating to the indemnity as an adjustment to the loss on disposal recognised. The adjustment was 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 £331.6m 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.

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	(331.6)	–	–	–	–	(331.6)
Gas storage	(97.3)	–	–	–	–	(97.3)
SSE Contracting	–	–	18.9	–	–	18.9
Neos Networks	–	–	6.2	106.9	–	113.1
Other credits	(0.6)	–	–	–	(7.5)	(8.1)
Total exceptional items continuing operations	(429.5)	–	25.1	106.9	(7.5)	(305.0)
SGN disposal gain	–	–	–	–	(576.5)	(576.5)
Gas Production	–	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)

7.2. Certain re-measurements

The Group, through its SSE Energy Markets business, enters into forward commodity purchase (and sales) contracts to meet the future demand requirements of its SSE 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 (predominantly 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 (predominantly 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 2024, changes in global commodity markets and in SSE's contractual positions have resulted in a positive net mark-to-market remeasurement on commodity contracts designated as financial instruments, contracts for difference contracts and trading inventory of £461.3m (gain) (2023: £2,717.2m (loss)). It should be noted that the net IFRS 9 position on operating derivatives at 31 March 2024 is an asset of £51.4m (2023: £386.9m liability).

The mark-to-market gain in the year has resulted in a deferred tax charge of £115.0m (2023: £499.6m credit), which has been reported separately as part of certain re-measurements. In addition, the Group has recognised gains of £6.1m (2023: £201.9m gain) on the remeasurement of certain interest rate and foreign exchange contracts through the income statement, gains on the remeasurement of cash flow hedge accounted contracts of £6.5m (2023: £43.3m gain) in other comprehensive income and a loss on the equity share of the remeasurement of cash flow hedge accounted contracts in joint ventures of £40.9m (2023: £342.4m gain).

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.

8. Directors and employees

8.1. Staff costs

	2024 £m	2023 £m
Staff costs:		
Wages and salaries	**722.5**	587.6
Social security costs	**84.8**	69.6
Share-based remuneration	**22.0**	20.6
Pension costs (note 23)	**109.1**	94.0
	938.4	771.8
Less: capitalised as property, plant and equipment or intangible assets	**(238.0)**	(179.6)
	700.4	592.2

8.2. Employee numbers

	2024 Number	2023 Number
Numbers employed at 31 March(i)	**14,980**	12,180
	14,980	12,180

(i) The number of employees at 31 March 2024 includes 1,089 employees of Enerveo, the contracting business purchased by the Group on 22 March 2024 (see note 7.1.iv) (2023: none).

The average number of people employed by the Group (including Executive Directors) during the year was:

	2024 Number	2023 Number
SSEN Transmission	**1,568**	1,136
SSEN Distribution	**4,463**	4,197
SSE Renewables	**1,933**	1,591
SSE Thermal	**586**	458
Gas Storage	**92**	84
Energy Customer Solutions		
SSE Business Energy	**950**	843
SSE Airtricity	**953**	845
SSE Enterprise	**974**	855
SSE Energy Markets	**317**	256
Corporate Services	**1,422**	1,211
Total SSE Group	**13,258**	11,476

8. Directors and employees continued

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.

	2024			2023		
	Executive committee members £m	**Executive directors £m**	**Total £m**	Executive committee members £m	Executive directors £m	Total £m
Salaries and short term employee benefits	**4.7**	**4.7**	**9.4**	4.0	5.2	9.2
Social security costs	**1.0**	**0.9**	**1.9**	0.9	1.0	1.9
Post-employment benefits	**1.0**	**0.2**	**1.2**	0.7	0.7	1.4
Share based benefits	**1.8**	**5.9**	**7.7**	1.7	4.4	6.1
	8.5	**11.7**	**20.2**	7.3	11.3	18.6

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 (2023: three) Executive directors. Executive committee members included in the table above at 31 March 2024 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 (2023: £1.3m).

9. Finance income and costs

	2024			2023		
Recognised in income statement	**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	**60.3**	**–**	**60.3**	17.5	–	17.5
Interest on pension scheme assets(i)	**26.2**	**–**	**26.2**	16.2	–	16.2
Other interest receivable:						
Joint ventures and associates	**78.4**	**–**	**78.4**	67.6	–	67.6
Other receivable	**33.9**	**0.3**	**34.2**	34.0	0.2	34.2
	112.3	**0.3**	**112.6**	101.6	0.2	101.8
Total finance income	**198.8**	**0.3**	**199.1**	135.3	0.2	135.5
Finance costs:						
Bank loans and overdrafts	**(77.4)**	**–**	**(77.4)**	(50.1)	–	(50.1)
Other loans and charges	**(274.3)**	**–**	**(274.3)**	(339.1)	–	(339.1)
Notional interest arising on discounted provisions	**(25.2)**	**–**	**(25.2)**	(22.1)	–	(22.1)
Lease charges	**(25.8)**	**–**	**(25.8)**	(29.4)	–	(29.4)
Less: interest capitalised(ii)	**84.4**	**–**	**84.4**	44.0	–	44.0
Total finance costs	**(318.3)**	**–**	**(318.3)**	(396.7)	–	(396.7)
Changes in fair value of financing derivative assets or liabilities at fair value through profit or loss	**–**	**6.1**	**6.1**	–	201.9	201.9
Net finance costs	**(119.5)**	**6.4**	**(113.1)**	(261.4)	202.1	(59.3)
Presented as:						
Finance income	**198.8**	**6.4**	**205.2**	135.3	202.1	337.4
Finance costs	**(318.3)**	**–**	**(318.3)**	(396.7)	–	(396.7)
Net finance costs	**(119.5)**	**6.4**	**(113.1)**	(261.4)	202.1	(59.3)

(i) The interest income on net pension assets for the year ended 31 March 2024 of £26.2m (2023: £16.2m) 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 4.20% (2023: 4.11%).

Adjusted net finance costs are arrived at after the following adjustments:

	2024 £m	2023 £m
Net finance costs	**(113.1)**	(59.3)
(add)/less:		
Share of interest from joint ventures and associates	**(110.7)**	(70.1)
Interest on pension scheme liabilities	**(26.2)**	(16.2)
Movement on financing derivatives (note 24)	**(6.1)**	(201.9)
Exceptional item	**(0.3)**	(0.2)
Share of net finance cost attributable to non-controlling interests	**4.7**	2.1
Adjusted net finance costs APM	**(251.7)**	(345.6)
Notional interest arising on discounted provisions	**25.2**	22.1
Lease charges	**25.8**	29.4
Hybrid coupon payment (note 22.5(iii))	**(73.1)**	(38.8)
Adjusted net finance costs for interest cover calculations APM	**(273.8)**	(332.9)

Recognised in other comprehensive income

	2024 £m	2023 £m
Gain on effective portion of cash flow hedges (before tax)	**6.5**	43.3
Share of joint venture/associate (loss)/gain on effective portion of cash flow hedges (before tax)	**(54.5)**	456.5
Total recognised in other comprehensive income	**(48.0)**	499.8

10. Taxation

10.1. Analysis of charge recognised in the income statement

	2024			2023		
	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						
Corporation tax	**366.1**	**(36.5)**	**329.6**	292.3	(20.9)	271.4
Adjustments in respect of previous years	**(25.6)**	**31.8**	**6.2**	(22.0)	5.3	(16.7)
Total current tax	**340.5**	**(4.7)**	**335.8**	270.3	(15.6)	254.7
Deferred tax						
Current year	**155.3**	**128.2**	**283.5**	72.9	(444.6)	(371.7)
Adjustments in respect of previous years	**23.2**	**(31.8)**	**(8.6)**	12.3	(5.3)	7.0
Total deferred tax	**178.5**	**96.4**	**274.9**	85.2	(449.9)	(364.7)
Total taxation charge/(credit)	**519.0**	**91.7**	**610.7**	355.5	(465.5)	(110.0)

The Group has separately recognised the tax effect of the exceptional items and certain re-measurements summarised above.

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.

The majority of the Group's profits are earned in the UK, with the standard rate of UK corporation tax being 25% for the year to 31 March 2024 (2023: 19%). 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. While the Group has activities in other jurisdictions outside of the UK and Republic of Ireland, tax paid on those development activities is currently immaterial.

10. Taxation continued

10.1. Analysis of charge recognised in the income statement continued

Change in UK corporation tax rates

There are no announced or enacted changes in corporation tax rates in the year ended 31 March 2024.

Finance Bill 2023 introduced legislation, initially as a temporary measure but then being made permanent in the Autumn Statement, to allow 'Full Expensing' of 100% General Pool plant and machinery, alongside 50% for Special Rate Pool plant and machinery. These changes significantly increase the deductions for Capital Allowances on capital expenditure incurred from 1 April 2023.

Finance Act (No.2) 2023 also introduced legislation in respect of Multinational Top-up Tax in line with OECD BEPS pillar 2 principles. The Group has applied the exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as required by the amendments to IAS 12 – International Tax Reform—Pillar Two Model Rules, which issued in May 2023. The legislation will come into 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 had undertaken modelling and does not expect a material impact to arise as tax rates in the countries in which the Group operates are expected to exceed 15%.

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:

	2024 £m	2024 %	2023 £m	2023 %
Continuing operations				
Group tax charge/(credit) and effective rate	**610.7**	**25.6**	(110.0)	12.7
Add: reported deferred tax (charge)/credit and effective rate	**(274.9)**	**(11.5)**	364.7	(42.0)
Reported current tax charge and effective rate	**335.8**	**14.1**	254.7	(29.3)
Effect of adjusting items		**1.3**		41.0
Reported current tax charge and effective rate on adjusted basis	**335.8**	**15.4**	254.7	11.7
add:				
Share of current tax from joint ventures and associates	**38.5**	**1.8**	89.6	4.1
less:				
Current tax credit on exceptional items	**4.7**	**0.2**	15.6	0.7
Share of current tax attributable to non-controlling interests	**(8.0)**	**(0.3)**	(1.1)	(0.1)
Adjusted current tax charge and effective rate APM	**371.0**	**17.1**	358.8	16.4

Tax (credit)/charge recognised in other comprehensive income/(loss):

	2024 £m	2023 £m
Relating to:		
Pension scheme actuarial movements	**(38.8)**	(19.8)
Cash flow and net investment hedge movements	**0.3**	8.1
	(38.5)	(11.7)

All tax recognised through other comprehensive income is deferred tax.

See further Taxation disclosures at A2

10.2. Current tax assets and liabilities

	2024 £m	2023 £m
Corporation tax assets	**(25.8)**	(10.8)

Uncertain tax positions

The Group invests heavily in infrastructure, on which significant amounts of capital allowances are potentially available, including through the 'full expensing' regime. 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 2024, the Group has not recognised provisions in respect of uncertain tax positions (2023: £nil).

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 Group's provision was released as an adjusting post balance sheet event in the year ended 31 March 2023.

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	Decommissioning liabilities £m	Other £m	Total £m
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
Charge/(credit) to income statement	**145.2**	**123.3**	**8.9**	**–**	**(2.5)**	**274.9**
Decommissioning asset and liability presentation under IAS 12	**79.5**	**–**	**–**	**(79.5)**	**–**	**–**
Charge/(credit) to other comprehensive (loss)/ income	**–**	**0.3**	**(38.8)**	**–**	**–**	**(38.5)**
Charge to equity	**–**	**–**	**–**	**–**	**1.8**	**1.8**
Exchange adjustment	**(0.5)**	**–**	**–**	**–**	**–**	**(0.5)**
At 31 March 2024	**1,479.3**	**33.5**	**105.4**	**(79.5)**	**(1.9)**	**1,536.8**

The Group has adopted the amendment to IAS 12 in respect of deferred tax relating to assets and liabilities arising from a single transaction. In line with the amendment the Group now recognises deferred tax assets and liabilities in respect of decommissioning responsibilities separately. This has resulted in an increase to both deferred tax assets and deferred tax liabilities of £50.1m (2023: £45.5m) and a reclassification of £79.5m of gross deferred tax assets. As a result of the change deferred tax liabilities relating to decommissioning assets are now presented in "Accelerated capital allowances" with deferred tax assets relating to decommissioning liabilities being presented in "Decommissioning liabilities".

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:

	2024 £m	2023 £m (restated*)
Deferred tax liabilities	**1,692.3**	1,530.6
Deferred tax assets	**(155.5)**	(231.5)
Net deferred tax liabilities	**1,536.8**	1,299.1

In total there are £9.3m (2023: £6.1m) of unrecognised deferred tax assets. The Group has not recognised a deferred tax asset of £5.6m (2023: £5.6m) on trading losses of £44.5m (2023: £44.8m) in the Republic of Ireland. The Group has not recognised deferred tax assets of £3.5m (2023: £0.5m) in respect of losses of £14.4m (2023: £2.3m) 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 2024 were £827.8m (2023: £468.8m).

* The comparative has been restated. See note 2.1.

11. Dividends and earnings per share

11.1. Ordinary dividends

	2024 Total £m	Settled via scrip £m	Pence per ordinary share	2023 Total £m	Settled via scrip £m	Pence per ordinary share
Interim – year ended 31 March 2024	**218.3**	**8.8**	**20.0**	–	–	–
Final – year ended 31 March 2023	**738.1**	**29.8**	**67.7**	–	–	–
Interim – year ended 31 March 2023	**–**	**–**	**–**	313.2	159.0	29.0
Final – year ended 31 March 2022	**–**	**–**	**–**	642.6	322.5	60.2
	956.4	**38.6**		955.8	481.5	

The final dividend of 67.7p per ordinary share declared in respect of the financial year ended 31 March 2023 (2022: 60.2p) was approved at the Annual General Meeting on 20 July 2023 and was paid to shareholders on 21 September 2023. 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 approved 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 2023 was 18.0%, and SSE has therefore not initiated a share buy-back in the current year. For the financial year ended 31 March 2022 the overall scrip take-up was 38.3% and therefore 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 20.0p per ordinary share (2023: 29.0p) was declared and paid on 8 March 2024 to those shareholders on the SSE plc share register on 12 January 2024. 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.

The proposed final dividend of 40.0p per ordinary share based on the number of issued ordinary shares at 31 March 2024 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 2024, this would equate to a final dividend of £438.5m.

11.2. Basic and adjusted earnings/(losses) per share

The calculation of basic earnings/(losses) per ordinary share at 31 March 2024 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 2024.

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).

	2024 Earnings £m	2024 Earnings per share pence	2023 (Losses)/ earnings £m	2023 (Losses)/ earnings per share pence
Continuing operations				
Earnings/(losses) attributable to ordinary shareholders	**1,710.5**	**156.7**	(123.0)	(11.4)
Less: earnings attributable to discontinued operations	**–**	**–**	(35.0)	(3.3)
Basic earnings/(losses) on continuing operations used to calculate adjusted EPS	**1,710.5**	**156.7**	(158.0)	(14.7)
Exceptional items and certain re-measurements (note 7)	**(155.8)**	**(14.3)**	1,886.4	175.4
Basic excluding exceptional items and certain re-measurements	**1,554.7**	**142.4**	1,728.4	160.7
Adjusted for:				
Decommissioning Gas Production	**9.9**	**0.9**	(50.5)	(4.7)
Depreciation charge on fair value uplifts	**19.0**	**1.7**	28.8	2.7
Interest on net pension scheme assets/(liabilities) (note 9)	**(26.2)**	**(2.4)**	(16.2)	(1.5)
Deferred tax	**178.5**	**16.3**	85.2	7.9
Deferred tax from share of joint ventures and associates	**20.3**	**1.9**	14.4	1.3
Deferred tax on non-controlling interest	**(25.6)**	**(2.3)**	(4.1)	(0.4)
Adjusted APM	**1,730.6**	**158.5**	1,786.0	166.0
Basic	**1,710.5**	**156.7**	(158.0)	(14.7)
Dilutive effect of outstanding share options	**–**	**(0.2)**	–	–
Diluted	**1,710.5**	**156.5**	(158.0)	(14.7)

Reported earnings/(losses) per share

	2024 Earnings £m	2024 Earnings per share pence	2023 (Losses)/ earnings £m	2023 (Losses)/ earnings per share pence
Basic				
Earnings/(losses) per share on continuing operations	**1,710.5**	**156.7**	(158.0)	(14.7)
Earnings per share on discontinued operations	**–**	**–**	35.0	3.3
Earnings/(losses) per share attributable to ordinary shareholders	**1,710.5**	**156.7**	(123.0)	(11.4)
Diluted earnings/(losses) per share on continuing operations	**1,710.5**	**156.5**	(158.0)	(14.7)
Diluted earnings per share on discontinued operations	**–**	**–**	35.0	3.3
Diluted earnings/(losses) per share attributable to ordinary shareholders	**1,710.5**	**156.5**	(123.0)	(11.4)

The weighted average number of shares used in each calculation is as follows:

	31 March 2024 Number of shares (millions)	31 March 2023 Number of shares (millions)
For basic and adjusted earnings per share	**1,091.8**	1,075.6
Effect of exercise of share options	**1.5**	1.7
For diluted earnings per share	**1,093.3**	1,077.3

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.

	2024 Earnings per share (pence)	2024 Dividend per share (pence)	2024 Dividend cover (times)	2023 (Losses)/ earnings per share (pence)	2023 Dividend per share (pence)	2023 Dividend cover (times)
Reported earnings/(losses) per share (continuing operations)	**156.7**	**60.0**	**2.61**	(14.7)	96.7	(0.15)
Adjusted earnings per share (continuing operations) APM	**158.5**	**60.0**	**2.64**	166.0	96.7	1.72

12. Acquisitions and disposals

12.1. Acquisitions

Current year acquisitions

Enerveo acquisition

On 22 March 2024, the Group completed the acquisition of Enerveo Limited ('Enerveo') from Aurelius Antelope Limited ('Aurelius') for cash consideration of £1.0m. Enerveo (formerly named SSE Contracting Limited) is a former subsidiary of the Group that was disposed to Aurelius on 30 June 2021. Under the terms of the sale agreement in 2021, SSE retained performance guarantees over certain contracts delivered by Enerveo. In the six months ended 30 September 2023, the Group recognised an exceptional charge of £50.5m in relation to its estimated settlement costs in relation to these guarantees in accordance with IFRS 9, which included cash advances to Enerveo of £12.3m. In the previous financial year the Group had also recognised provisions for amounts due from Enerveo and Aurelius totalling £12.2m.

On completion of the transaction on 22 March 2024, the Group reversed the exceptional charge of £50.5m recognised in the first half of the financial year. Due to the consolidation of liabilities retained by Enerveo which SSE had made provision against, the reacquisition of Enerveo resulted in a gain of £4.6m, which has been recognised as an exceptional item in the year. Following completion, SSE has restructured and settled external liabilities totalling £15.2m and settled certain balances of £30.9m due to SSE companies which are included in the acquired balances below. At 31 March 2024, the goodwill balance of £5.6m implied by the transaction was written off. This write-off has been included within the total gain of £4.6m referred above. SSE is currently conducting a review to develop and then implement a longer-term strategy for each part of the business. The following table summarises the assets and liabilities acquired in the transaction.

12. Acquisitions and disposals continued

12.1. Acquisitions continued

	Fair value at 22 March 2024 £m
Assets acquired and liabilities assumed	
Property, plant and equipment	11.7
Intangible assets	2.5
Inventories	3.9
Trade and other receivables	40.1
Prepayments and accrued income	55.1
Cash	13.2
Trade and other payables	(91.0)
Deferred income	(20.0)
Lease liabilities	(12.8)
Provisions	(7.3)
Total net liabilities acquired	(4.6)
Goodwill	5.6
Cash consideration	1.0

Prior 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.

The intangible development assets acquired were 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 £341.0m shared equally. The headline consideration included £96.0m 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. See note 7 for details of the exceptional gain recognised in the prior year.

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. The total cash consideration for business combinations of £642.7m is included in the Group's Adjusted investment, capital and acquisition metric.

12.2. Disposals

i. Significant disposals

Current year disposals

There have been no significant disposals in the current year.

Prior year disposals

During the year ended 31 March 2023 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 Fiddler's Ferry site.

25% non-controlling equity stake in Scottish Hydro Electric Transmission plc: On 30 November 2022, the Group completed the disposal of 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, at which time the consolidated carrying value of SHET's net assets was £2,319.3m. As 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**

Fiddler's Ferry land sale: On 30 June 2022, the Fiddler's Ferry site was sold to Peel NRE Developments Limited for cash proceeds of £60m. The Group released a decommissioning provision related to the site, which resulted in an exceptional gain on disposal of £89.1m.

ii. Prior year disposal reconciliation

The following table summarises disposals of subsidiaries, businesses and assets during the prior financial year, including other assets and investments disposed of as part of the normal course of business but before recognition of impairment charges, which are noted in the relevant respective notes to the financial statements.

	2023 £m
Net assets disposed:	
Property, plant and equipment	24.1
Provisions	(88.2)
Net assets	(64.1)
Proceeds of disposal:	
Consideration	60.0
Net proceeds	60.0
Gain on disposal	124.1
Presentation:	
Continuing operations	
Income statement exceptional gain	89.1
	89.1
Discontinuing operations	
Income statement exceptional credit	35.0
SSE Group	124.1

	2023 £m
Net proceeds of disposal	60.0
Net cash proceeds	60.0
Plus net cash proceeds from sale of non-controlling interest in SHET	1,448.1
Net cash proceeds	1,508.1

13. Intangible assets

	Goodwill £m	Allowances and Certificates £m	Development assets £m	Other intangibles £m	Software Assets £m	Total £m
Cost:						
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
Additions	**–**	**774.5**	**369.7**	**2.5**	**167.5**	**1,314.2**
Transfer (to)/from property plant and equipment (note 14)	**–**	**–**	**(50.7)**	**–**	**1.7**	**(49.0)**
Disposals/utilised	**–**	**(474.3)**	**(3.9)**	**–**	**(1.1)**	**(479.3)**
Exchange adjustments	**(19.9)**	**(0.4)**	**(6.1)**	**–**	**–**	**(26.4)**
At 31 March 2024	**1,130.6**	**982.2**	**990.6**	**118.4**	**1,251.7**	**4,473.5**
Aggregate amortisation and impairment:						
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)
Charge for the year	**–**	**–**	**–**	**–**	**(63.3)**	**(63.3)**
Transfer to property plant and equipment (note 14)	**–**	**–**	**1.5**	**–**	**–**	**1.5**
Disposals/utilised	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Non-exceptional impairment charge(i)	**–**	**–**	**(15.4)**	**–**	**(18.3)**	**(33.7)**
At 31 March 2024	**(192.9)**	**(227.5)**	**(171.4)**	**(115.9)**	**(687.5)**	**(1,394.2)**
Carrying amount:						
At 31 March 2024	**937.7**	**754.7**	**819.2**	**3.5**	**564.2**	**3,079.3**
At 31 March 2023	957.6	454.9	524.1	1.0	477.6	2,415.2
At 1 April 2022	512.0	459.3	201.1	1.3	413.4	1,587.1

(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:

	2024 £m	2023 £m
Current	**754.7**	454.9
Non-current	**2,324.6**	1,960.3
	3,079.3	2,415.2

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	**2024 £m**	2023 £m
Great Britain and Ireland windfarms	SSE Renewables	**288.8**	292.3
SSE Pacifico[1]	SSE Renewables	**191.5**	196.0
SSE Southern Europe[2]	SSE Renewables	**416.8**	428.7
Energy Solutions[3]	SSE Business Energy & SSE Enterprise	**32.4**	32.4
Ireland Supply[4]	SSE Airtricity	**8.2**	8.2
		937.7	957.6

1 Relates to the acquisition on 29 October 2021 of an 80% equity interest in an offshore wind development platform from Pacifico Energy.
2 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.
3 Energy Solutions includes goodwill balances arising from the historic acquisitions of The Energy Solutions Group Limited (TESGL) of £31.7m (2023: £31.7m) and a further £0.7m (2023: £0.7m) in relation to the acquisition of SSE Airtricity Energy Services (NI) Limited (formerly 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.
4 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 SSE Thermal and SSE 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 (2023: £nil).

v. Software assets
Software assets include application software license fees, software development work, software upgrades and purchased PC software packages. The Group also has a number of contracts for Software as a Service (SaaS) and Platform as a Service (PaaS) Cloud Computing Arrangements which permit access to vendor-hosted software and platform services over the term of the arrangement. Where the Group does not control the underlying assets in these arrangements, costs are expensed as incurred. The Group also incurs implementation costs in respect of these contracts. Implementation costs are capitalised as intangible assets where costs meet the definition and recognition criteria of an intangible asset under IAS 38 by being separable and controlled by the Group. During the current and prior year the Group has capitalised costs in relation to its new Business Energy billing system.

14. Property, plant and equipment

	Thermal power generation assets(i) £m	Renewable power generation assets(i) £m	Distribution network assets £m	Transmission network assets £m	Land and buildings £m	Assets under construction £m	Other assets £m	Total £m
Cost:								
At 31 March 2022	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)	–	–	–	–	–	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
Additions	**–**	**–**	**91.3**	**1.0**	**34.3**	**1,803.1**	**41.7**	**1,971.4**
Adjustment to decommissioning asset	**(5.5)**	**1.7**	**–**	**–**	**–**	**–**	**(2.4)**	**(6.2)**
Transfer from intangible assets (note 13)(ii)	**–**	**–**	**–**	**–**	**–**	**49.0**	**–**	**49.0**
Transfer from assets under construction	**2.9**	**44.7**	**489.9**	**773.9**	**5.2**	**(1,352.8)**	**36.2**	**–**
Transfer between categories	**(19.1)**	**–**	**–**	**–**	**–**	**–**	**19.1**	**–**
Disposals(iv)	**–**	**–**	**(15.0)**	**–**	**(2.6)**	**(0.8)**	**(13.3)**	**(31.7)**
Exchange rate adjustments	**(15.9)**	**(26.0)**	**–**	**–**	**0.8**	**(3.3)**	**(0.3)**	**(44.7)**
At 31 March 2024	**3,633.9**	**4,673.1**	**10,563.9**	**6,417.0**	**629.1**	**1,263.9**	**1,428.3**	**28,609.2**
Depreciation:								
At 31 March 2022	(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)(iii)	17.8	–	–	–	–	–	45.7	63.5
Non-exceptional impairment charges(iii)	(10.6)	(12.5)	–	–	(1.0)	(0.3)	(0.7)	(25.1)
Transfer to intangible assets (note 13)(ii)	–	–	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)
Charge for the year	**(103.5)**	**(150.9)**	**(173.8)**	**(116.0)**	**(17.2)**	**–**	**(67.2)**	**(628.6)**
Transfer between categories	**1.2**	**–**	**–**	**–**	**–**	**–**	**(1.2)**	**–**
Exceptional impairment charges	**–**	**–**	**–**	**–**	**–**	**–**	**(134.1)**	**(134.1)**
Non-exceptional impairment reversals/(charges)(iii)	**–**	**4.8**	**–**	**–**	**(1.1)**	**–**	**(3.0)**	**0.7**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**–**	**(1.5)**	**–**	**(1.5)**
Disposals	**–**	**–**	**6.7**	**–**	**1.0**	**–**	**12.5**	**20.2**
Exchange rate adjustments	**8.1**	**12.0**	**–**	**–**	**0.5**	**–**	**0.5**	**21.1**
At 31 March 2024	**(2,591.9)**	**(2,229.4)**	**(4,704.8)**	**(985.5)**	**(253.9)**	**(10.9)**	**(1,221.3)**	**(11,997.7)**
Net book value								
At 31 March 2024	**1,042.0**	**2,443.7**	**5,859.1**	**5,431.5**	**375.2**	**1,253.0**	**207.0**	**16,611.5**
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 1 April 2022	858.7	2,770.4	5,122.8	4,338.7	330.1	842.8	349.3	14,612.8

(i) 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 £119.0m and £68.1m (2023: £89.6m and £88.6m) respectively. Additionally, Other assets includes £55.3m in relation to decommissioning costs for Gas Storage assets (2023: £55.5m).
(ii) 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 and also includes reclassification of software assets to intangible assets.
(iii) Impairment (charges)/reversals relate to exceptional impairment charges of £134.1m relating to the Group's gas storage operations at Aldbrough and Atwick (see note 7) (2023: exceptional impairment reversals of £63.5m (relating to Great Island CCGT and Aldbrough)) and non-exceptional impairment reversals of £0.7m (2023: £25.1m charges).

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 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
Additions	**–**	**32.4**	**–**	**40.6**	**73.0**
Disposals	**–**	**(1.8)**	**(6.7)**	**(10.6)**	**(19.1)**
Exchange rate adjustments	**–**	**4.3**	**–**	**–**	**4.3**
At 31 March 2024	**369.6**	**282.4**	**5.5**	**145.9**	**803.4**
Depreciation					
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)
Charge for the year	**(11.9)**	**(11.3)**	**–**	**(23.8)**	**(47.0)**
Disposals	**–**	**0.5**	**6.7**	**10.0**	**17.2**
At 31 March 2024	**(264.0)**	**(54.0)**	**(5.5)**	**(57.7)**	**(381.2)**
Net book value					
At 31 March 2024	**105.6**	**228.4**	**–**	**88.2**	**422.2**
At 31 March 2023	117.5	204.3	–	72.0	393.8
At 1 April 2022	136.0	172.0	7.4	59.4	374.8

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 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 2024 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.

15.1. Goodwill impairment reviews – CGUs testing

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 Energy Customer 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 ten 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.

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
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 £288.8m (2023: £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 Ireland, given the risk and uncertainty associated with projects in the development stage. Significant developments at Viking, Aberarder, Yellow River, Strathy South and Dogger Bank A and B 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 governments' 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 £63 – £117 per MWh (2023: £55 – £169 per MWh) and have been discounted applying a pre-tax real discount rate between 7.2% for GB and 5.2% for Ireland (2023: between 6.9% for GB and 5.8% for Ireland) based on technology and market risks.	**Impairment conclusion** The recoverable amount of the GB and Ireland CGUs at 31 March 2024 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. A 0.5% increase in the pre-tax real discount rate to 7.7% for GB and 5.7% 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 wind was modelled. This scenario indicated that, despite a modelled 15% reduction in forecast wind 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, which may reduce volumes achievable for the Group's GB and Ireland wind generation assets (although noting that a reduction in volume would likely lead to capacity constraints and hence higher prices). A 4–8% reduction in projected volume continued to show significant headroom on the carrying value in the Group's GB and Ireland wind generation assets. This is in line with the TCFD "variable wind generation risk" scenario which indicated a reduction to average wind speed changes of 4% to 8% over the longer term.

Assets/CGUs	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
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 £416.8m of goodwill (2023: £428.7m) and £120.5m of intangible development assets (2023: £116.1m) 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 based on a comparable methodology to the acquisition model but updated to reflect changes to specific project circumstances and wider market developments since acquisition. The Southern Europe CGU model includes cashflows for early-stage development assets, being c65 individual windfarm and co-located solar 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 on observable market information during the period. 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 €38 – €141 per MWh (2023: €33 – €209 per MWh) and have been discounted applying a pre-tax real discount rate between 6.2% and 6.7% (2023: 6.4% and 7.3%) based on technology and market risks.	**Impairment conclusion** The recoverable amount of the Southern Europe windfarm CGUs has been calculated at £572.8m (2023: £591.7m) and exceeds the carrying value of the goodwill and intangible development assets. Therefore, no impairment has been recognised at 31 March 2024. During the year the Group recorded a non-exceptional impairment of €18.0m (£15.4m) in respect of two early-stage development projects projects where the probability of success had decreased **Sensitivity analysis** The principal assumptions impacting the valuation model of the Southern Europe windfarm CGU are discount rate, generation volume, electricity price and development probability of success. While cash flow projections are subject to inherent uncertainty, a 10% reduction in greenfield generation volume was modelled which indicated continued headroom. A 5% reduction in the probability of success attributed to the development projects would result in a marginal impairment of £2.6m on the carrying value. An increase of 0.1% in the respective pre-tax real discount rates (Spain: 6.2% France: 6.3%, Italy: 6.7% and Greece: 6.5%) results in nil headroom and a 0.5% increase in the respective pre-tax real discount rates indicates an impairment of £100.0m. Within the base case model the Group has assessed that many of the projects in Spain, Italy and France 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, although would likely be offset by a compensatory increase in the discount rate. An impairment would be recognised as a result of a 1.4% decrease in the merchant price if the projects were developed on a merchant basis.

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 £191.5m of goodwill (2023: £196.0m) and £26.9m of intangible development assets (2023: £30.8m) relating to SSE Pacifico. SSE Pacifico is an early-stage Japanese offshore wind portfolio acquired on 29 October 2021. The projects in SSE Pacifico remain at an early stage. Therefore, the assessment was based on the discounted pre-tax cash flows prepared on comparable basis to the acquisition model, updated to reflect changes to specific project circumstances and wider market developments since acquisition. Cash inflows for the CGU model are based on the Group's latest projections for expected average annual generation output based on technical 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 continued support for the development of offshore wind projects. Cash outflows are based on forecast asset costs, planned and expected maintenance profiles and other capital or replacement costs. For the purposes of the impairment test, the VIU model includes cashflows for three early-stage offshore wind projects (2023: four) out of a total of 11 acquired by the Group. The cash flow projections are based on Japanese power prices, per foundation type, between ¥12 – ¥30 per kWh (2023: ¥15 – ¥28 per kWh) and have been discounted applying a pre-tax real discount rate of 9.7% (2023: 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 £290.0m (2023: £316.9m) exceeds the carrying value at 31 March 2024, 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 2024. **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 ¥10 – ¥27 per kWh under revenue support scheme results in a full impairment of carrying value. A 1 percentage point reduction to the generation capacity factor results in an impairment of £25.4m. A 0.25% increase to the Group's assumption on external funding proportion decreases the headroom to £30.1m. A 0.5% increase to the discount rate assumption decreases the headroom to £41.2m. A decrease of project probability from three to two early stage projects results in a range of outcomes from headroom of £6.3m to an impairment of £68.1m.
Energy Customer Solutions	5 years	**Modelling methodology and assumptions** The Group has capitalised goodwill of £31.7m (2023: £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 an 8.0% (2023: 5.6%) pre-tax real discount rate.	**Conclusion** At 31 March 2024, the impairment review indicates headroom of £16.8m on the carrying value of £31.7m. A decrease in forecast cashflows of 20% would result in headroom of £7.1m. An increase in the discount rate of 2.5% would result in an impairment of £0.3m.

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 ten 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. Note that the Group will expense any individual asset, investment or development asset, should it clearly be damaged, obsolete or economically impaired, as part of its normal course of business.

Changes from prior year

The specific assets and investments identified for impairment reviews in the prior year (being the GB CCGTs; Great Island CCGTs; Gas Storage facilities at Aldbrough and Atwick; 50% joint venture investment in Triton Power; and 50% joint venture investment in Neos Networks) continued to display indicators of impairment and all remained subject to impairment testing at 31 March 2024. No new assets were identified as displaying indicators of impairment or impairment reversal.

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
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 15.3% (2023: between 10.0% and 19.4%). **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, a technical assessment has been performed which resulted in an extension change to end of life assumptions for Keadby, Medway and Peterhead, from March 2028 to March 2030. At 31 March 2024, decreases in short-term gas and carbon prices have resulted in a decrease in UK power prices. As a result, the observable spark margins assumed for the GB CCGT assets has decreased, which was considered an indicator of impairment at 31 March 2024.	**Conclusion** At 31 March 2024 the fair valuation exercise indicated reduced, but still significant, headroom above 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. Due to many of the assets nearing the end of their useful lives, the impairment models are not sensitive to the discount rate, therefore no sensitivity analysis on the discount rate was performed. The assets which have had their useful lives extended in the period have done so due to being awarded capacity mechanism contracts in the T-4 auction. These assets would be more sensitive to fluctuations in non-contracted capacity mechanism prices, however a sensitivity 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. This has not been treated as an indicator of impairment at 31 March 2024 as legislation has not been introduced or enacted by the balance sheet date and therefore has not been factored into the impairment analysis above. Despite the extension of the useful lives for Keadby, Peterhead and Medway, most of the Group's GB CCGTs are nearing the end of their economic life and are projected to cease operations by 2030. Of the Group's GB CCGTs, only Keadby 2, Marchwood and Saltend (Triton) are projected to operate beyond this date. If legislation was introduced requiring the closure of these assets by 2030, it would result in an impairment of £155.3m to Keadby and an impairment of £54m to the equity investment in Marchwood at 31 March 2024. The sensitivity for Saltend (Triton) is included later in this note. Under the TCFD Accelerated Gas Closure risk risk 2030 1.5°C 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.

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 11.2% (2023: 12.4%) reflecting the specific risks in the Irish market.	**Conclusion** The VIU assessment performed on the asset at 31 March 2024 indicated no impairment. The carrying value of the Great Island asset at 31 March 2024 is £251.6m (2023: £269.9m) against an assessed recoverable value of £320.2m (2023: £280.4m). **Sensitivity analysis** A 0.5% increase in the discount rate would continue to result in significant headroom. A 20% decrease in gross margin would result in an impairment of £14.5m. A €10/KW decrease in projected non-contracted capacity market prices would continue to result in significant headroom. **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. This has not been treated as an indicator of impairment at 31 March 2024, as legislation has not been introduced or enacted by the balance sheet date and therefore has not been factored into the impairment analysis above. Great Island is projected to operate beyond 2030, 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 £60.8m at 31 March 2024. Under the TCFD Accelerated Gas Closure risk 2030 1.5°C scenario, the indicative potential present value of future economic benefit lost from early closure of Great Island by 2030 was less than £0.1bn.

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
Gas Storage assets (Atwick and Aldbrough)	Period to end of life	**Modelling methodology and assumptions** 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 facilities based on management's view of the assets' operating prospects. Cash flows are subject to a pre-tax real discount rate of 11.7% (2023: 18.8%) for Atwick and 10.4% (2023: 13.8%) for Aldbrough reflecting risks specific to the assets. 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 adjusted to remove periods of extreme volatility 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 absolute gas price and volatility rate derives management's estimate of recoverable value of the assets. Management assessed that the decrease in gas prices observed during the year was a trigger for a formal impairment review. The Group recorded exceptional impairments of £85.7m at 31 March 2024 (2023: £45.7m impairment reversal) on its Aldbrough asset and £48.4m (2023: nil) on its Atwick asset, based largely on decreases to short term observable gas prices and lower volatility assumptions.	**Conclusion** The VIU assessment performed on the assets indicated an impairment of £85.7m (2023: £45.7m reversal) to Aldbrough and an impairment of £48.4m to Atwick (2023: £nil). Following the impairment assessment at 31 March 2024, the carrying value of Aldbrough is £3.0m (2023: £92.6m) and the carrying value of Atwick is £6.3m (2023: £62.3m). Both carrying values represent the net book value of the storage assets and exclude the carrying value of cushion gas volumes. **Sensitivity analysis – Atwick** A sensitivity performed with a high gas price assumption (represents an increase in the price by 10%) would reduce the impairment recognised at the Atwick facility at 31 March 2024 from £48.4m to £38.1m. A low gas price assumption (represents a decrease in the price by 10%) would increase the impairment recognised at 31 March 2024 from £48.4m to £54.7m and would represent a full impairment. A sensitivity performed with a high volatility assumption would reduce the impairment recognised at the Atwick facility at 31 March 2024 from £48.4m to £28.6m. A low volatility assumption would increase the impairment recognised at 31 March 2024 from £48.4m to £54.7m and would represent a full impairment. A high sensitivity of the MRR assumption (represents an increase in the rate by 1.0) would reduce the impairment recognised at 31 March 2024 from £48.4m to £26.0m. **Sensitivity analysis – Aldbrough** A sensitivity performed with a high gas price assumption (represents an increase in the price by 10%) would reduce the impairment recognised at 31 March 2024 from £85.7m to £67.5m. A low gas price assumption (represents a decrease in the price by 10%) would increase the impairment recognised at 31 March 2024 from £85.7m to £88.7m and would represent a full impairment. A sensitivity performed with a high volatility assumption would reduce the impairment recognised at 31 March 2024 from £85.7m to £49.7m. A low volatility assumption would increase the impairment recognised at 31 March 2024 from £85.7m to £88.7m and would represent a full impairment. A high sensitivity of the MRR assumption (represents an increase in the rate by 1.0) would reduce the impairment recognised at 31 March 2024 from £85.7m to £43.7m.

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
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 13.2% (blended) (2023: 15.6% (blended)). The decreases in short-term gas and carbon prices and the resultant decrease in UK power prices described in the GB CCGT impairment note above also acted as an indicator of impairment for Triton.	**Conclusion** The Group has recorded an exceptional impairment of £63.2m (2023: £291.6m) on its investment in Triton during the year. The impairment was recognised in the Group's results for the six months ended 30 September 2023. At 31 March 2024, the Group performed a further impairment assessment which indicated no further impairment or impairment reversal existed at 31 March 2024. The Group acquired its investment in Triton on 1 September 2022 during a period of significant volatility in the UK power market. On acquisition the Group recorded an exceptional gain on acquisition due to movements in short term gas and power prices between the purchase agreement and completion dates. The Group's investment in Triton has been carried at fair value since acquisition and is therefore susceptible to movements in market observable assumptions. The Group's carrying value of equity investment at 31 March 2024 is £152.5m (2023: £253.9m). **Sensitivity analysis** A 0.5% increase in the discount rate would increase the impairment recognised at 31 March 2024 from £63.2m to £66.1m. A 0.5% decrease in the discount rate would reduce the impairment recognised from £63.2m to £57.4m. A 20% increase in gross margin would result in a reduction in the impairment charge to £39.6m, and a 20% decrease in gross margin would increase the impairment to £84.1m. A £10/KW increase in non-contracted capacity market price would decrease the impairment charge to £43.6m and a £10/KW decrease would increase the impairment charge to £80.2m. **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. This has not been treated as an indicator of impairment at 31 March 2024, as legislation has not been introduced or enacted by the balance sheet date and therefore has not been factored into the impairment analysis above. 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 a further impairment to the investment in Triton of £78.2m at 31 March 2024. Under the TCFD Accelerated Gas Closure risk 2030 1.5°C scenario, the indicative potential present value of the future economic benefit lost from early closure of Triton by 2030 was less than £0.1bn.

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 Neos Networks Limited	n/a	**Modelling methodology and assumptions** 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 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 £49.5m to an impairment of £113.4m. The Group has assessed that within this range of valuations, a point valuation resulting in an impairment of £73.6m (2023: £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 £92.2m (2023: £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 £62.8m, whereas a 33% decrease in the EBITDA assumption would result in an impairment of £105.8m. A 10% decrease to the multiple assumption would result in an impairment of £85.1m, whereas a 10% increase to the multiple assumption would decrease the impairment to £61.6m.

16. Investments

16.1. Joint Ventures and associates

	2024			2023 (restated*)		
Share of net assets/cost	**Equity £m**	**Loans £m**	**Total £m**	Equity £m	Loans £m	Total £m
At 1 April	**1,975.7**	**1,115.4**	**3,091.1**	1,262.2	736.9	1,999.1
Additions	**280.6**	**244.7**	**525.3**	263.6	489.7	753.3
Repayment of shareholder loans	**–**	**(14.6)**	**(14.6)**	–	(61.4)	(61.4)
Dividends received	**(223.7)**	**–**	**(223.7)**	(294.1)	–	(294.1)
Share of profit after tax[i] – continuing operations	**115.9**	**–**	**115.9**	663.6	–	663.6
Share of other comprehensive income	**(40.9)**	**–**	**(40.9)**	342.4	–	342.4
Disposals	**(3.0)**	**–**	**(3.0)**	(0.2)	–	(0.2)
Transfer – Loans to Equity	**(54.4)**	**54.4**	**–**	50.0	(50.0)	–
Transfers – Other Investments	**24.1**	**–**	**24.1**	–	–	–
Impairments[ii]	**(90.8)**	**(46.0)**	**(136.8)**	(329.3)	–	(329.3)
Investment (decrease)/increase in respect of financial guarantees[iii]	**(18.9)**	**–**	**(18.9)**	16.0	–	16.0
Exchange rate adjustments	**(1.4)**	**(1.0)**	**(2.4)**	1.5	0.2	1.7
At 31 March	**1,963.2**	**1,352.9**	**3,316.1**	1,975.7	1,115.4	3,091.1

(i) Of the £115.9m (2023: £663.6m) share of profits from continuing operations, only £114.1m (2023: £662.3m) is recognised through the income statement. The £1.8m (2023: £1.3m) 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 £136.8m (2023: £329.3m) include charges of £63.2m (2023: £291.6m) in relation to the Group's Triton joint venture, and £73.6m (2023: £37.7m) in relation to the Group's investment in Neos Networks, of which £73.6m (2023: £5.9m) has been treated as exceptional and £nil (2023: £31.8m) has been treated as non-exceptional, see note 7.
(iii) The investment (decrease)/increase in respect of financial guarantees relates to £22.2m (2023: £nil) of unwind and expiry of guarantee contracts, less £3.3m (2023: £16.0m) for the fair value of fees receivable on guarantees granted to joint venture investments during the year.

16.2. Additions and disposals of equity in the current year

Additions in the year

On 21 March 2024 the Group completed the purchase of 50% of the equity in eight onshore wind development projects in Ireland from Bord na Mona Powergen Limited for cash consideration of £41.9m.

During the year ended 31 March 2024 the Group provided equity and loans to its existing joint venture investments of £237.9m and £235.9m respectively, primarily in relation to Seagreen Wind Energy Limited and Dogger Bank A Offshore Wind Farm.

Disposals in the year

There were no significant disposals in the current year, the Group has received £14.9m of cash and recognised a gain in the income statement of £9.0m in relation to investments in associates.

16.3. Acquisitions and disposals of equity in the previous year

Additions in the previous 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 ended 31 March 2023 is provided in note 12.1.

Additionally, during the year ended 31 March 2023 the Group 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 and Doggerbank A Offshore Wind Farm.

Disposals of equity in the previous year

There were no significant disposals of equity in the prior year.

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).

Share of results of joint ventures and associates

	2024 Windfarms £m	2024 Thermal Generation £m	2024 Other(i) £m	2024 Total £m	2023 Total £m
Revenue	**359.9**	**563.7**	**80.0**	**1,003.6**	1,564.8
Other income	**88.1**	**–**	**–**	**88.1**	10.2
Depreciation and amortisation	**(121.6)**	**(40.6)**	**(46.6)**	**(208.8)**	(201.1)
Other operating costs	**(91.6)**	**(490.5)**	**(63.3)**	**(645.4)**	(700.0)
Operating profit	**234.8**	**32.6**	**(29.9)**	**237.5**	673.9
Interest expense	**(103.2)**	**2.7**	**(10.2)**	**(110.7)**	(70.1)
Changes in fair value of derivatives	**82.0**	**(20.6)**	**–**	**61.4**	202.9
Corporation tax	**(63.5)**	**(10.5)**	**(0.1)**	**(74.1)**	(143.1)
Share of post taxation results	**150.1**	**4.2**	**(40.2)**	**114.1**	663.6
Recognised in other comprehensive income					
Cashflow hedges	**(54.6)**	**0.1**	**–**	**(54.5)**	456.5
Taxation	**13.6**	**–**	**–**	**13.6**	(114.1)
Total comprehensive income	**109.1**	**4.3**	**(40.2)**	**73.2**	1,006.0

Share of joint ventures and associates' assets and liabilities

	2024 Windfarms £m	2024 Thermal Generation £m	2024 Other(i) £m	2024 Total £m	2023 Total £m (restated*)
Non-current assets	**6,171.5**	**427.7**	**310.5**	**6,909.7**	6,093.0
Current assets	**156.9**	**153.8**	**19.5**	**330.2**	486.9
Cash and cash equivalents	**309.3**	**50.0**	**13.7**	**373.0**	263.3
Current liabilities	**(355.6)**	**(72.3)**	**(68.1)**	**(496.0)**	(484.1)
Non-current liabilities	**(5,335.8)**	**(216.6)**	**(172.9)**	**(5,725.3)**	(5,013.4)
	946.3	**342.6**	**102.7**	**1,391.6**	1,345.7
Other adjustments	**593.8**	**9.0**	**(31.2)**	**571.6**	630.0
Share of net assets of joint ventures and associates	**1,540.1**	**351.6**	**71.5**	**1,963.2**	1,975.7
Shareholder loans	**1,121.6**	**173.6**	**57.7**	**1,352.9**	1,115.4
Interest in joint venture and associate	**2,661.7**	**525.2**	**129.2**	**3,316.1**	3,091.1

(i) Other comprises the investments the Group holds in Neos Networks Limited and Marron Activ8 Energies Limited.
* The comparatives have been restated. See note 2.1.

Information on Group's investments in joint ventures and associates is provided at A3, A4 and A5.

16. Investments continued

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	50.0	50.0	31 March
Eastern Green Link 2 Limited	Power Transmission	UK	Ordinary	50.0	37.5	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.

Eastern Green Link 2 Limited is a joint operation between SHET and National Grid Electricity Transmission plc to install a 2GW subsea high-voltage connection.

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 2022	8.7
Additions in year	19.1
Fair value adjustment through other comprehensive income	(0.4)
At 31 March 2023	27.4
Disposals in year	**(0.4)**
Transfers to investments in joint ventures and associates	**(24.1)**
Fair value adjustment through other comprehensive income	**0.3**
At 31 March 2024	**3.2**

In the current year the classification of an investment of £24.1m (2023: £nil) has been reassessed and reclassified from 'Other investments' to 'Equity investments in joint ventures and associates'. The investment has been recognised as an associate reflecting the Group's level of ownership and influence over the investee; comparative amounts have not been re-presented.

17. Inventories

	2024 £m	2023 £m
Fuel and consumables	**155.3**	179.3
Certificates and allowances	**205.1**	125.4
Gas held in storage	**23.1**	142.2
Less: provisions held	**(40.5)**	(52.0)
	343.0	394.9

Where Renewables Obligation Certificates ('ROCs') and Renewable Energy Guarantees of Origin ('REGOs') certificates are self-generated or purchased to fulfil the Group's environmental obligations, they are recorded within intangible assets. The value of ROCs and REGOs held in excess of the Group's environmental obligations are recorded within inventories.

The Group has expensed inventories of £562.8m within cost of sales in the year (2023: £601.5m).

18. Trade and other receivables

	2024 £m	2023 £m
Non-current assets		
Loan note receivable	**170.1**	149.5
Current assets		
Trade receivables	**1,305.5**	1,404.0
Unbilled energy income	**663.7**	666.1
Other receivables	**82.6**	226.0
Cash posted as collateral	**9.3**	316.3
Other prepayments and accrued income	**593.0**	632.7
	2,654.1	3,245.1
Total trade and other receivables	**2,824.2**	3,394.6

The non-current loan note receivable relates to £170.1m (2023: £149.5m) 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%.

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 £20.7m (2023: £19.4m).

Included in other prepayments and accrued income is £11.9m (2023: £347.3m) in relation to government funded customer support schemes.

Cash posted as collateral relates to amounts deposited on commodity trading exchanges of £9.3m (2023: £316.3m).

Trade receivables and other financial assets are part of the Group's financial exposure to credit risk as explained in accompanying information note A6.

19. Trade and other payables

	2024 £m	2023 £m
Current liabilities		
Trade payables	**656.7**	694.6
Contract related liabilities(i)	**95.2**	54.1
Cash held as collateral	**362.5**	–
Other creditors	**473.0**	560.8
Other accruals(ii)	**1,735.1**	1,349.1
	3,322.5	2,658.6
Non-current liabilities		
Contract related liabilities(i)	**158.4**	161.3
Deferred income and other accruals(ii)	**934.4**	798.6
	1,092.8	959.9
Total trade and other payables	**4,415.3**	3,618.5

(i) Current contract related liabilities includes customer contributions of £15.7m (2023: £14.5m) and non-current contract related liabilities includes customer contributions of £158.4m (2023: £161.3m).
(ii) Non-current other accruals includes government grants of £6.0m (2023: £7.9m).

Cash held as collateral relates to amounts received from commodity trading exchanges of £362.5m (2023: £nil).

20. Provisions

	Decommissioning £m	Legal and restructuring £m	Employee related £m	Other £m	Total £m
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
Charged in the year	**–**	**–**	**1.2**	**4.0**	**5.2**
Increase in decommissioning provision	**2.2**	**–**	**–**	**–**	**2.2**
Unwind of discount	**25.2**	**–**	**–**	**–**	**25.2**
Acquired during the year	**–**	**–**	**–**	**7.3**	**7.3**
Released during the year	**–**	**–**	**–**	**(4.3)**	**(4.3)**
Utilised during the year	**(5.3)**	**(16.9)**	**(9.3)**	**(7.6)**	**(39.1)**
Transfers	**5.0**	**(3.0)**	**–**	**(2.0)**	**–**
Exchange rate adjustments	**(3.5)**	**–**	**–**	**–**	**(3.5)**
At 31 March 2024	**735.7**	**0.4**	**12.8**	**16.2**	**765.1**
At 31 March 2024					
Non-current	**688.8**	**0.4**	**12.5**	**10.7**	**712.4**
Current	**46.9**	**–**	**0.3**	**5.5**	**52.7**
	735.7	**0.4**	**12.8**	**16.2**	**765.1**
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

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 below. 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 2024 £m**	**Number of decommissioning sites**	**Forecast decommissioning dates**
Renewables	**230.7**	52	2025 – 2065
Thermal	**161.7**	16	2024 – 2050
Gas Storage	**115.4**	18[1]	2024 – 2049
Gas Production	**219.7**	4[2]	2024 – 2040
SSE Enterprise	**8.2**	1	2027
Total	**735.7**		

Decommissioning provisions continued

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
SSE Enterprise	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 increased during the year from £712.1m to £735.7m, primarily due to the increase in base cost estimates and inclusion of the decommissioning provisions for Solar and Battery assets for the first time. While the long term inflation rate remains stable at 3.2% (2023: 3.2%), the increase in the risk free discount rates applied of between 3.9%-4.4% (2023: 3.5%-3.8%) has partially negated the increase in the closing provision due to base cost estimate increases. The £2.2m increase in decommissioning provision primarily relates to a revaluation of £6.2m recognised as an opposing reduction to decommissioning assets and £9.9m income statement charge in relation to the Group's share of gas production decommissioning liabilities. During the year, the Group incurred £5.3m of decommissioning spend, primarily related to the Aldbrough site included within Gas storage and the Fiddler's 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.

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:	**2024 £m**	2023 £m
Increasing the projected cost estimate by 10%	**804.8**	781.4
Increasing the inflation rate by 1.0%	**808.7**	793.2
Decreasing the discount rate by 0.5%	**764.4**	747.1
Closure of unabated gas CCGTs from 2030	**732.6**	714.5

Legal and restructuring provisions

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 2024, the reduction in the provisions relates to payments from the pension scheme and payments for severance.

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 2024 and 2028.

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 2024, 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.

During the year SSE plc issued an 8 year €750m Green Bond at a coupon of 4.0%. The bond has been left in Euros as a net investment hedge for the Group's Euro denominated subsidiaries. In the year, SSE plc also redeemed US Private Placement debt of combined £155.0m and a €700m Eurobond with coupon at 1.75%. In January 2024 Scottish Hydro Electric Transmission plc issued a 20 year £500m Green Bond at a coupon of 5.5%.

SSE's adjusted net debt and hybrid capital was £9.4bn at 31 March 2024, compared with £8.9bn at 31 March 2023.

Adjusted net debt and hybrid capital is stated after removing lease obligations, external net debt attributable to non-controlling interests and cash held and posted as collateral in line with the Group's presentation basis which is explained at note 3(i). The adjustment relating to the non-controlling interest share of Scottish Hydro Electric Transmission plc external net debt is £490.2m at 31 March 2024 (2023: £434.2m) and relates to 25% of external loans of £2,088.0m (2023: £1,744.8m) net of cash and cash equivalents of £127.4m (2023: £7.8m). Cash held and posted as collateral refers to amounts received and deposited on commodity trading exchanges which are reported within 'Trade and other payables' and 'Trade and other receivables' respectively on the face of the balance sheet.

At 31 March 2024 the collateral balance was a net liability of £353.2m, consisting of a liability of £362.5m and an asset of £9.3m (2023: £316.3m asset). This reflects the lower levels of initial margin required for commodity contracts traded on exchanges following a reduction in risk factors and the Group replacing cash collateral with £100m of letters of credit. Additionally, variation margin positions for March 2024 are 'in the money' due to lower commodity prices, compared to the 'out the money' positions experienced in the prior year.

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 2024 there was £840m commercial paper outstanding (2023: £919m). During the year ended 31 March 2024, the Group issued new debt instruments totalling £1,982m and redeemed £1,744m of maturing debt in the year. The Group also continues to have access to £3.5bn of revolving credit facilities (2023: £3.5bn), (see note 21.3), which includes £750m relating to Scottish Hydro Electric Transmission plc (2023: £750m). As at 31 March 2024 there were no (2023: £100m) drawings against these committed facilities (2023: 3% utilisation).

The Group capital comprises:

	2024 £m	2023 £m (restated*)
Total borrowings (excluding lease obligations)	**8,726.2**	8,654.0
Less: Cash and cash equivalents	**(1,035.9)**	(891.8)
Net debt (excluding hybrid equity)	**7,690.3**	7,762.2
Hybrid equity	**1,882.4**	1,882.4
External net debt attributable to non-controlling interests	**(490.2)**	(434.2)
Cash held/(posted) as collateral and other short term loans	**353.2**	(316.3)
Adjusted net debt and hybrid capital APM	**9,435.7**	8,894.1
Equity attributable to shareholders of the parent	**9,170.8**	8,551.7
Total capital excluding lease obligations	**18,606.5**	17,445.8

* 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

	2024 £m	2023 £m
Current		
Short-term loans	**1,044.5**	1,738.5
Lease obligations	**83.5**	82.1
	1,128.0	1,820.6
Non-current		
Loans	**7,681.7**	6,915.5
Lease obligations	**324.0**	323.8
	8,005.7	7,239.3
Total loans and borrowings	**9,133.7**	9,059.9
Cash and cash equivalents	**(1,035.9)**	(891.8)
Unadjusted net debt	**8,097.8**	8,168.1
Add/(less):		
Hybrid equity	**1,882.4**	1,882.4
External net debt attributable to non-controlling interests	**(490.2)**	(434.2)
Lease obligations	**(407.5)**	(405.9)
Cash held/(posted) as collateral and other short term loans	**353.2**	(316.3)
Adjusted net debt and hybrid capital APM	**9,435.7**	8,894.1

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.

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 2024 there was £840m commercial paper outstanding (2023: £919m).

The Group also continues to have access to £3.5bn of revolving credit facilities (2023: £3.5bn). As at 31 March 2024 there were no drawings against these committed facilities (2023: £100m). The details of the five committed facilities as at 31 March 2024 are:

- a £1.3bn revolving credit facility for SSE plc maturing March 2026 (2023: £1.3bn);
- a £0.2bn bilateral facility for SSE plc maturing October 2026 (2023: £0.2bn);
- a £0.75bn facility for Scottish Hydro Electric Transmission plc maturing November 2026 (2023: £0.75bn);
- a £0.25bn facility for Scottish Hydro Electric Distribution plc and Southern Electric Power Distribution plc maturing November 2026 (2023: £0.25bn); and
- a £1.0bn committed facility for SSE plc maturing February 2025 (2023: £1.0bn).

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. Both facilities were extended to November 2026 in the year and have a further year option. The £1bn committed facility for SSE plc was entered into to provide cover for potential cash collateral requirements, if periods of extreme volatility return to the commodity markets. The facility had a 1 year extension option at the lender's discretion that was extended for a year to February 2025. There were no drawings on the SSE plc and Distribution facilities at 31 March 2024 and 31 March 2023 and no drawings on the £750m Transmission facility at 31 March 2024 compared to £100m at 31 March 2023.

During the year SSE plc issued an 8 year €750m Green Bond at a coupon of 4.0%. The bond has been left in Euros as a net investment hedge for the Group's Euro denominated subsidiaries. Additionally Scottish Hydro Electric Transmission plc issued a 20 year £500m bond at a coupon of 5.5%. In the year, SSE plc also redeemed US Private Placement debt of combined £155m and a €700m Eurobond with coupon at 1.75%, and Scottish Hydro Electric Transmission plc repaid £100m of facility advances.

21. Sources of finance continued

21.3. Borrowing facilities continued

Analysis of borrowings

	2024 Weighted average interest rate[iv]	2024 Face value £m	2024 Fair value £m	2024 Carrying amount £m	2023 Weighted average interest rate[iv]	2023 Face value £m	2023 Fair value £m	2023 Carrying amount £m
Current								
Bank Loans – non amortising[i]	–	–	–	–	2.6%	50.0	49.4	50.0
Other Short term loans – non amortising[ii]	5.8%	852.4	855.7	840.4	4.5%	1,029.4	1,033.5	1,019.2
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	–	–	–	–	1.8%	514.6	510.8	514.5
US Private Placement 16 April 2024	4.4%	204.1	257.9	204.1	–	–	–	–
Total current borrowings		1,056.5	1,113.6	1,044.5		1,749.0	1,747.8	1,738.5
Non-Current								
Bank loans – non amortising[i]	3.5%	500.0	484.2	499.9	3.4%	500.0	479.5	499.9
US Private Placement 16 April 2024	–	–	–	–	4.4%	204.1	259.6	204.1
1.250% Eurobond Repayable 16 April 2025[vi]	1.3%	531.4	518.8	531.4	1.3%	531.4	508.3	531.4
0.875% €600m Eurobond Repayable 8 September 2025[ix]	0.9%	513.0	493.0	512.2	0.9%	527.5	495.3	526.2
US Private Placement 8 June 2026	3.1%	64.0	48.7	63.6	3.1%	64.0	59.9	63.5
US Private Placement 6 September 2026	3.2%	247.1	242.1	245.6	3.2%	247.1	257.4	245.0
US Private Placement 6 September 2027	3.2%	35.0	25.9	34.7	3.2%	35.0	31.7	34.7
1.375% €650m Eurobond repayable 4 September 2027[v] [ix]	1.4%	591.4	553.7	590.7	1.4%	591.4	545.8	590.5
1.50% Eurobond repayable 24 March 2028[ix]	1.5%	250.0	221.5	249.3	1.5%	250.0	212.8	249.1
8.375% Eurobond repayable on 20 November 2028	8.4%	500.0	573.3	498.1	–	–	–	–
Between two and five years		3,231.9	3,161.2	3,225.5		2,950.5	2,850.3	2,944.4
8.375% Eurobond repayable on 20 November 2028	–	–	–	–	8.4%	500.0	575.0	497.6
2.875% Eurobond repayable 1 August 2029[ix]	2.9%	555.7	543.3	554.3	2.9%	571.5	548.3	569.8
1.750% Eurobond repayable 16 April 2030[vii]	1.8%	442.9	403.5	442.9	1.8%	442.9	388.1	442.9
5.50% Eurobond repayable on 7 June 2032	5.5%	350.0	368.1	350.1	5.5%	350.0	364.1	350.1
Private Placement 30 June 2032	3.1%	175.0	148.0	175.0	3.1%	175.0	152.8	175.0
2.25% Eurobond repayable 27 September 2035[ix]	2.3%	350.0	266.3	347.6	2.3%	350.0	255.9	347.4
2.125% Eurobond repayable 24 March 2036[ix]	2.1%	250.0	184.7	248.5	2.1%	250.0	177.7	248.4
4.625% Eurobond repayable on 20 February 2037	4.6%	325.0	312.4	324.3	4.6%	325.0	301.2	324.2
Private Placement 30 June 2037	3.2%	175.0	146.2	175.0	3.2%	175.0	142.2	175.0
6.25% Eurobond repayable on 27 August 2038	6.3%	350.0	386.3	347.7	6.3%	350.0	372.0	347.5
4.454% Index linked loan repayable on 27 February 2044	4.5%	169.4	212.6	169.0	4.5%	165.9	190.4	165.5
1.429% Index linked bond repayable on 20 October 2056	1.4%	188.8	145.5	188.8	1.4%	173.1	140.4	173.1
4.00% €750m Eurobond repayable 5 September 2031 [viii] [ix]	4.0%	641.2	661.7	639.5	–	–	–	–
5.50% £500m Eurobond maturing 15 January 2044 [ix]	5.5%	500.0	500.8	492.6	–	–	–	–
Over five years		4,473.0	4,279.4	4,455.3		3,828.4	3,608.1	3,816.5
Fair value adjustment[iii]				0.9				154.6
Total non-current borrowings		7,704.9	7,440.6	7,681.7		6,778.9	6,458.4	6,915.5
Total borrowings		8,761.4	8,554.2	8,726.2		8,527.9	8,206.2	8,654.0

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 (£840m of Commercial Paper and £nil of facility advances outstanding at 31 March 2024).
(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 2024 was 3.40% (2022: 3.35%).
(v) The 1.375% €650m Eurobond maturing 4 September 2027 has been swapped to Sterling giving an effective interest rate of 2.56%.
(vi) The 1.250% €600m Eurobond maturing 16 April 2025 has been swapped to Sterling giving an effective interest rate of 2.43%.
(vii) The 1.750% €500m Eurobond maturing 16 April 2030 has been swapped to Sterling giving an effective interest rate of 2.89%.
(viii) The 4.0% €750m Eurobond maturing 5 September 2031 has been left in Euros as a net investment hedge for the Group's Euro denominated subsidiaries.
(ix) Bonds have been issued under the Group's Green Bond Framework.

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 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**
Additions during the year[(i)]	**75.6**
Disposals during the year	**(1.9)**
Unwind of discount	**25.8**
Repayment in the year	**(97.9)**
At 31 March 2024	**407.5**

(i) Additions include lease liabilities recognised following acquisitions during the year.

The weighted average incremental borrowing rate applied to lease liabilities during the year was 4.98% (2023: 5.02%). Incremental borrowing rates applied to individual lease additions in the year ranged between 3.70% to 5.25% (2023: 4.03% to 5.06%).

The Group has additional committed payments under short term and low value leases at 31 March 2024 of £11.2m (2023: £11.7m).

The maturity of future lease liabilities are as follows:

	2024 £m	2023 £m
Within one year	**91.8**	94.5
Between one and five years	**196.3**	202.4
After five years	**328.4**	316.1
	616.5	613.0
Less: future finance charge	**(209.0)**	(207.1)
Present value of lease obligations	**407.5**	405.9

21.4. Reconciliation of net increase in cash and cash equivalents to movement in adjusted net debt and hybrid capital

	2024 £m	2023 £m
Increase/(decrease) in cash and cash equivalents	**144.1**	(157.5)
(Less)/add:		
New borrowing proceeds	**(1,982.2)**	(1,914.7)
New hybrid equity proceeds	**–**	(831.4)
Repayment of borrowings	**1,744.0**	2,148.1
Non-cash movement on borrowings	**166.0**	(216.2)
Increase in external net debt attributable to non-controlling interests	**56.0**	434.2
(Decrease)/increase in cash held/posted as collateral and other short term loans	**(669.5)**	241.6
Increase in adjusted net debt and hybrid capital APM	**(541.6)**	(295.9)

Cash held and posted as collateral refers to amounts received and deposited on commodity trading exchanges which are reported within 'Trade and other payables' and 'Trade and other receivables' respectively on the face of the balance sheet, as well as loans provided with less than three months' maturity.

21. Sources of finance continued

21.5. Reconciliation of movements in financing liabilities

		Financing cash flows				Non-cash movements					
	At 31 March 2023 £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 2024 £m
Financing liabilities											
Bank loans	499.9	–	–	–	–	–	–	–	–	–	499.9
Private placement	978.1	–	–	–	–	(4.5)	–	–	(204.1)	0.7	770.2
Fixed rate Eurobonds	5,098.9	1,141.8	–	–	–	(143.3)	(30.7)	–	–	(7.0)	6,059.7
Index linked loans	338.6	–	–	(5.2)	–	–	–	–	–	24.4	357.8
Total long term borrowings	6,915.5	1,141.8	–	(5.2)	–	(147.8)	(30.7)	–	(204.1)	18.1	7,687.6
Bank loans	50.0	–	–	(50.0)	–	–	–	–	–	–	–
Fixed rate Eurobonds	514.5	–	–	(514.6)	–	–	–	–	–	0.1	–
Other short term loans – non amortising	1,019.2	840.4	–	(1,019.2)	–	–	–	–	–	–	840.4
US private placement	154.8	–	–	(155.0)	–	(5.9)	–	–	204.1	0.2	198.2
Total short term borrowings	1,738.5	840.4	–	(1,738.8)	–	(5.9)	–	–	204.1	0.3	1,038.6
	8,654.0	1,982.2	–	(1,744.0)	–	(153.7)	(30.7)	–	–	18.4	8,726.2
Lease liabilities	405.9	–	–	–	(97.9)	–	–	99.5	–	–	407.5
Total loans and borrowings	9,059.9	1,982.2	–	(1,744.0)	(97.9)	(153.7)	(30.7)	99.5	–	18.4	9,133.7
Assets held to hedge long term borrowings	(129.3)	–	–	–	–	147.8	–	–	–	–	18.5
	8,930.6	1,982.2	–	(1,744.0)	(97.9)	(5.9)	(30.7)	99.5	–	18.4	9,152.2

	At 31 March 2022 £m	Financing cash flows: New borrowings £m	Financing cash flows: Disposal of borrowings £m	Financing cash flows: Repayment of borrowings £m	Financing cash flows: Repayment of lease creditor £m	Non-cash movements: Fair value movements £m	Non-cash movements: Foreign exchange movements £m	Non-cash movements: Lease liabilities £m	Non-cash movements: Re-classification £m	Non-cash movements: 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

22. Equity

22.1. Share capital

	Number (millions)	£m
Allotted, called up and fully paid:		
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
Issue of shares (i)	**2.3**	**1.1**
At 31 March 2024	**1,096.2**	**548.1**

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 67.7p per ordinary share (in relation to year ended 31 March 2023) and the interim dividend of 20.0p (in relation to the current year) under the terms of the Company's scrip dividend scheme. This resulted in the issue of 1,779,529 and 493,654 new fully paid ordinary shares respectively (2023: 18,241,941 and 9,413,103). In addition, the Company issued 0.8m (2023: 1.9m) 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 £9.2m (2023: £18.0m).

ii. Under the share buyback programme in the year to 31 March 2023, 6.9m of shares were repurchased and cancelled 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. The scrip dividend take-up for the financial year ended 31 March 2023 was 18.0%, which is below the 25.0% required by the share buyback programme, therefore there have been no share buybacks in the current financial year ended 31 March 2024.

22. Equity continued

22.1. Share capital continued

Of the 1,096.2m shares in issue, 2.8m 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 1.3m shares for a total consideration of £21.8m (2023: 1.4m shares, consideration of £23.4m) to be held in trust for the benefit of employee share schemes. At 31 March 2024, the trust held 6.9m shares (2023: 6.5m) which had a market value of £113.9m (2023: £118.0m).

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

	2024 £m	2023 £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**	831.4
	1,882.4	1,882.4

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 (2023: £22.4m) was made on 14 April 2023 and for the €500m hybrid equity bond a discretionary coupon payment of £16.5m (2023: £16.4m) was made on 14 July 2023. The first discretionary coupon payment on the €1bn hybrid equity bond of £34.2m was paid on 21 April 2023.

The coupon payments in the year to 31 March 2024 consequently totalled £73.1m (2023: £38.8m).

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

This relates to equity attributable to non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group. At 31 March 2024 the amount attributable to non-controlling interests is £749.9m (2023: £649.1m), which relates to SHET of £709.1m (2023: £606.5m) and SSE Pacifico £40.8m (2023: £42.6m). The profit and loss attributable to non-controlling interests for the year ended 31 March 2024 is £100.8m gain (2023: £23.6m gain), which relates to SHET £101.5m gain (2023: £25.5m gain) and SSE Pacifico £0.7m loss (2023: £1.9m loss).

Details regarding SHET's principal activity and country of incorporation are included in A3.

SHET's summary financial information is as follows:

	31 March 2024 £m	31 March 2023 £m	25 November 2022 £m
Non-current assets	**5,579.2**	4,907.1	4,717.0
Current assets	**337.0**	16.5	2.0
Current liabilities	**(509.0)**	(370.3)	(384.3)
Non-current liabilities	**(3,370.4)**	(2,909.4)	(2,795.4)
	2,036.8	1,643.9	1,539.3

	31 March 2024 £m	1 April 2022 to 25 November 2022 £m	26 November 2022 to 31 March 2023 £m	Total 2023 £m
Revenue	**885.2**	435.4	220.4	655.8
Operating profit	**565.0**	274.5	131.0	405.5
Net finance costs	**(35.0)**	(31.7)	(14.9)	(46.6)
Profit before taxation	**530.0**	242.8	116.1	358.9
Taxation	**(132.5)**	(59.1)	(19.6)	(78.7)
Profit after taxation	**397.5**	183.7	96.5	280.2

The summary financial information provided above is presented without Group eliminations, including £780.0m (2023: £780.0m) of internal loans with related interest of £16.2m (2023: £6.5m), other consolidation adjustments of £5.9m and related taxation, which have been eliminated to calculate the non-controlling interest for adjusted profit.

	31 March 2024 £m	26 November 2022 to 31 March 2023 £m
Net profit	**397.5**	96.5
add/(less):		
Interest elimination	**16.2**	6.5
Current taxation on consolidation adjustments	**(7.1)**	(1.1)
Deferred taxation	**102.0**	16.5
	508.6	118.4
Adjusted net profit attributable to 25% non-controlling interests	**127.1**	29.6

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 provides pension benefits to most UK colleagues through SSE Pensions+, a defined contribution master trust agreement with Aviva. The Group generally matches employee contributions up to 6%, and provides additional contributions of 3% after two years and a further 3% after ten years continuous Group service. The Group also operates other pension arrangements, including a defined contribution master trust agreement with Zurich in the Republic of Ireland and an Unfunded Unapproved Retirement Benefit Scheme.

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+0.50%	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 2024. The next triennial funding valuation will be carried out as at 31 March 2024. This process began during the year and is expected to be finalised by the end of 2024. As part of that process the Trustee and Group will agree any required future contributions to the scheme based on the valuation.

SSE Southern Group of the Electricity Supply Pension Scheme

The last triennial actuarial valuation of the scheme was carried out as at 31 March 2022 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 as at 31 March 2025. The Group also pays contributions in respect of current accrual. Total contributions of approximately £28.2m are expected to be paid by the Group during the year ending on 31 March 2025, including deficit repair contributions of £15.6m. The deficit repair contribution will be made until March 2027, increasing in line with inflation each year.

During the year ending 31 March 2024 the Group paid deficit contributions of £16.3m.

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		Net pension asset	
		2024 £m	2023 £m	**2024 £m**	2023 £m
Scottish Hydro Electric	Defined benefit	**(37.1)**	(152.0)	**339.3**	366.6
SSE Southern	Defined benefit	**(118.1)**	72.8	**82.3**	174.5
		(155.2)	(79.2)	**421.6**	541.1

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 scheme, 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 2024 was equal to £339.3m (2023: £366.6m).

At 31 March 2024, the SSE Southern Pension Scheme has a net surplus of £82.3m (2023: £174.5m), and unrecognised future contributions of £46.8m (2023: £50.9m), 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.

Other matters

On 16 June 2023 the High Court issued a ruling in respect of Virgin Media v NTL Pension Trustees II Limited (and others) calling into question the validity of rule amendments made to defined benefit pension schemes contracted-out on a Reference Scheme Test basis between 6 April 1997 and 5 April 2016. Amendments to these pension schemes over this time required confirmation from the Scheme Actuary that the Reference Scheme Test would continue to be met. In the absence of such a confirmation, the Rule amendment would be void. This ruling could have wide ranging implications for many UK pension schemes and will be subject to an Appeal in 2024.

The Trustees of the Scottish Hydro Electric Pension Scheme and the SSE Southern Pension Scheme have not performed a detailed assessment over the impact of this ruling. The Trustees believe it is appropriate to await the outcome of the appeal process in 2024 before taking any further action, and the Group supports their position. Due to the uncertainty, it is not possible to assess the potential impact of the Virgin Media High Court ruling on the Scottish Hydro Electric Pension Scheme or the SSE Southern Pension Scheme.

23.1. Pension scheme assumptions

Both schemes have been updated to 31 March 2024 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 2024	At 31 March 2023
Rate of increase in pensionable salaries	**3.4%**	3.5%
Rate of increase in pension payments	**3.1%**	3.2%
Discount rate	**4.8%**	4.8%
Inflation rate	**3.1%**	3.2%

The assumptions relating to longevity underlying the pension liabilities at 31 March 2024 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 2024		At 31 March 2023	
	Male	**Female**	Male	Female
Currently aged 65	**22**	**24**	22	24
Currently aged 45	**24**	**26**	24	26

SSE Southern

	At 31 March 2024		At 31 March 2023	
	Male	**Female**	Male	Female
Currently aged 65	**22**	**25**	22	24
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 2024		At 31 March 2023	
	Increase/ decrease in assumption	**Effect on scheme's liabilities**	Increase/ decrease in assumption	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%	+/- 0.7%
Discount rate	**0.1%**	**+/- 0.7%**	0.1%	+/- 0.7%
Longevity	**1 year**	**+/- 2.0%**	1 year	+/- 1.9%

SSE Southern

	At 31 March 2024		At 31 March 2023	
	Increase/ decrease in assumption	**Effect on scheme's liabilities**	Increase/ decrease in assumption	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%**	**+/- 1.2%**	0.1%	+/- 1.2%
Discount rate	**0.1%**	**+/- 1.3%**	0.1%	+/- 1.3%
Longevity	**1 year**	**+/- 3.5%**	1 year	+/- 3.3%

23. Retirement benefit obligations continued

23.3. Valuation of combined pension schemes

	Quoted £m	Unquoted £m	Value at 31 March 2024 £m	Quoted £m	Unquoted £m	Value at 31 March 2023 £m
Equities	**196.9**	**–**	**196.9**	94.3	–	94.3
Government bonds	**1,215.3**	**–**	**1,215.3**	1,381.6	–	1,381.6
Corporate bonds	**–**	**–**	**–**	122.8	–	122.8
Insurance contracts[i]	**–**	**500.3**	**500.3**	–	532.4	532.4
Other investments	**1,102.7**	**–**	**1,102.7**	1,057.5	–	1,057.5
Total fair value of plan assets	**2,514.9**	**500.3**	**3,015.2**	2,656.2	532.4	3,188.6
Present value of defined benefit obligation			**(2,593.6)**			(2,647.5)
Surplus in the schemes			**421.6**			541.1
Deferred tax thereon[ii]			**(105.4)**			(135.3)
Net pension asset			**316.2**			405.8

(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 (2023: 25%).

23.4. Movements in the combined defined benefit assets and obligations during the year:

	2024			2023		
	Assets £m	**Obligations £m**	**Total £m**	Assets £m	Obligations £m	Total £m
At 1 April	**3,188.6**	**(2,647.5)**	**541.1**	4,311.2	(3,726.3)	584.9
Included in Income Statement						
Current service cost	**–**	**(16.2)**	**(16.2)**	–	(28.2)	(28.2)
Past service cost	**–**	**(2.4)**	**(2.4)**	–	(5.7)	(5.7)
Interest income/(cost)	**148.5**	**(122.3)**	**26.2**	114.8	(98.6)	16.2
	148.5	**(140.9)**	**7.6**	114.8	(132.5)	(17.7)
Included in Other Comprehensive Income						
Actuarial gain/(loss) arising from:						
Demographic assumptions	**–**	**29.3**	**29.3**	–	71.7	71.7
Financial assumptions	**–**	**53.7**	**53.7**	–	1,099.8	1,099.8
Experience assumptions	**–**	**(46.2)**	**(46.2)**	–	(135.1)	(135.1)
Return on plan assets excluding interest income	**(192.0)**	**–**	**(192.0)**	(1,115.6)	–	(1,115.6)
	(192.0)	**36.8**	**(155.2)**	(1,115.6)	1,036.4	(79.2)
Other						
Contributions paid by the employer	**28.1**	**–**	**28.1**	53.1	–	53.1
Scheme participant's contributions	**0.1**	**(0.1)**	**–**	0.1	(0.1)	–
Benefits paid	**(158.1)**	**158.1**	**–**	(175.0)	175.0	–
	(129.9)	**158.0**	**28.1**	(121.8)	174.9	53.1
Balance at 31 March	**3,015.2**	**(2,593.6)**	**421.6**	3,188.6	(2,647.5)	541.1

23.5. Pension scheme contributions and costs

Charges/(credits) recognised:

	2024 £m	2023 £m
Service costs (charged to operating profit)	**18.6**	33.9
(Credited)/charged to finance costs:		
Interest from pension scheme assets	**(148.5)**	(114.8)
Interest on pension scheme liabilities	**122.3**	98.6
	(26.2)	(16.2)

The return on pension scheme assets is as follows:

	2024 £m	2023 £m
Return on pension scheme assets	**(43.5)**	(1,000.8)

Defined contribution scheme

The total contribution paid by the Group to defined contribution pension schemes was £90.5m (2023: £58.7m).

Unfunded Unapproved Retirement Benefit Scheme (UURBS) pension costs

The decrease in the year in relation to UURBS was £6.1m (2023: decrease of £8.9m). This is included in Employee related provisions (note 20).

Staff costs analysis

The pension costs in note 8 can be analysed as follows:

	2024 £m	2023 £m
Service costs	**18.6**	33.9
Defined contribution scheme payments	**90.5**	60.1
	109.1	94.0

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 and property) 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). However, this will be partially offset by 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. Retirement benefit obligations continued

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 funding 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 Group 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 (2023: 17 years) for the Scottish Hydro Electric Pension Scheme and 13 years (2023: 14 years) for the SSE Southern Pension Scheme.

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**	**16**
Deferred members	**14**	**8**
Pensioners	**63**	**76**
	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 Group 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.

The Group provides guarantees in respect of certain activities of former subsidiaries and to certain current joint venture investments. Prior to adoption of IFRS 17, these contracts were designated as insurance contracts under IFRS 4, where existing accounting practices were grandfathered and the contracts were treated as contingent liabilities until such time as it became probable the Group would be required to make payment to settle the obligation. The adoption of IFRS 17 from 1 April 2022 resulted in a reassessment of these contracts and the Group elected to apply the valuation principles of IFRS 9 to these contracts.

24.1. Financial instruments – income statement

	2024 £m	2023 £m
Operating derivatives		
Total result on operating derivatives(i)	**(573.1)**	(2,980.2)
Less: Amounts settled(ii)	**1,025.3**	272.0
Movement in unrealised derivatives	**452.2**	(2,708.2)
Financing derivatives (and hedged items)		
Total result on financing derivatives(i)	**370.6**	81.3
Less: Amounts settled(ii)	**(364.5)**	120.6
Movement in unrealised derivatives	**6.1**	201.9
Financial guarantee liabilities		
Total result on financial guarantee liabilities(iii)	**12.5**	–
Net income statement impact	**470.8**	(2,506.3)

(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, and is shown as certain re-measurements in note 7.
(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, and is shown as certain re-measurements in note 7.
(iii) Total result on financial guarantee liabilities in the income statement represents the total amounts credited or (charged) to the income statement in respect of the unwind of the financial liabilities and new or expiring contracts.

The movement in unrealised operating derivative excludes a £8.8m loss (2023: £16.6m gain) 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	**2024 £m**	2023 £m (restated*)
Non-current	**64.2**	246.0
Current	**536.1**	759.2
Total derivative assets	**600.3**	1,005.2
Derivative liabilities		
Non-current	**(222.2)**	(243.3)
Current	**(345.2)**	(1,021.0)
Total derivative liabilities	**(567.4)**	(1,264.3)
Net derivative asset/(liability)	**32.9**	(259.1)

The financial guarantee liabilities are represented as follows:

Financial guarantee liabilities	**2024 £m**	2023 £m
Non-current	**(36.4)**	(66.5)
Current	**(3.1)**	(4.4)
Total guarantee liabilities	**(39.5)**	(70.9)

* The comparative has been restated. See note 1.2.

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

	2024 £m	2023 £m
Capital expenditure:		
Contracted for but not provided	**1,389.2**	1,035.6

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. The increase from the prior year relates primarily to Transmission projects.

25.2. Contingent assets and liabilities

At 31 March 2024, the Group has unrecognised contingent assets in relation to the part disposal transaction of SSE Slough Multifuel Limited. In the prior year, the Group had further unrecognised contingent assets in relation to the part disposal transactions of Neos Networks Limited, Seagreen and Doggerbank C, which have lapsed during the current year. In total, contingent consideration receivable has decreased to £19.1m (2023: £149.1m), for which the Group has recognised a net receivable of £4.1m (2023: £4.1m). The payments of the remaining £15.0m (2023: £145.0m) 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 2024, 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 13 to the Company Financial Statements.

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 ➋)

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 ➋)

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.

		2024	2023	Change
EUR v GBP	Year end spot rate	**1.1697**	1.1374	2.8%
	Average spot rate	**1.1694**	1.1564	1.1%
US$ v GBP	Year end spot rate	**1.2623**	1.2337	2.3%
	Average spot rate	**1.2710**	1.2050	5.5%
JPY v GBP	Year end spot rate	**191.0290**	163.8230	16.6%
	Average spot rate	**190.4400**	163.2888	16.6%

A1. Basis of consolidation and significant accounting policies continued

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 policy also applies to the Group's independent network business reported within SSE Enterprise.

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. The release of deferred income on customer funded additions is removed from the Group's adjusted EBITDA measure. 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.

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. This policy is also applied to the Group's Slough Heat & Power assets within the Enterprise business.

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) is 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.

A1. Basis of consolidation and significant accounting policies continued

A1.2. Significant accounting policies continued

SSE Energy Markets

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, REGOs or carbon allowances, 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.

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 SSE Enterprise 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.

Where the Group earns income from an asset during the commissioning period, the income is recognised in the income statement as revenue accordance with the relevant asset accounting policy set out above.

Other operating income – Government Grants (note 6)

Under UK and Irish governments' customer support schemes licensed energy suppliers are required to provide a discount on gas and electricity prices to customers. The level of discount applied to each customer varies 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 is 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.

For the year ended 31 March 2024 the most significant customer support scheme administered by the Group was the Energy Bills Discount Scheme ('EBDS'), applicable to eligible non-domestic gas and electricity customers in GB and Northern Ireland during the period from 1 April 2023 to 31 March 2024. In the prior year the most significant scheme was the Energy Bill Relief Scheme ('EBRS'), applicable to GB commercial gas and electricity customer usage during the period 1 October 2022 to 31 March 2023. These schemes impact SSE Business Energy with discounts made to SSE's billings to customers and the unbilled income accrual, and a separate asset is 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 (2023: none) 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 £217.3m in the year with SSE's share of £86.9m recognised within share of profit (2023: £25.6m, with SSE's 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 arrangement in place with the LCCC. The LCCC government agreements for Viking and Seagreen are not yet effective and as such 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. See 'financial instruments' below for the Group's policy in relation to commercial Contracts for Difference.

Presentation of grants related to assets

Income received from Government towards the capital cost of an asset are deducted from the carrying value presented in the financial statements.

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.

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 271 and for lease liability charges on page 278.

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 to 31 March 2024 Finance (No.2) Act 2023 was enacted, bringing Electricity Generator Levy ("EGL") into force, 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. The Group therefore recognises an accrual for the year within cost of sales.

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

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.

A1. Basis of consolidation and significant accounting policies continued

A1.2. Significant accounting policies continued

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 SSE 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 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 Group's SSE Business Energy segment has a requirement under certain customer supply agreements to demonstrate the origin of electricity supplied to customers generated by renewable sources. Renewable Energy Guarantees of Origin ('REGO') certificates are procured from third parties or generated by the Group's Renewable accredited assets and retained for surrender under the scheme. Tickets that are held to be surrendered are recorded as intangible assets are recorded at cost, in line with the expense recognised by SSE Business Energy during the period. Excess tickets held by the Group are held in inventories at the lower of cost or net realisable value.

The ROCS and REGO 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.

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	3–15

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.

A1. Basis of consolidation and significant accounting policies continued

A1.2. Significant accounting policies continued

Property, plant and equipment (note 14) continued

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 277.

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.

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.

A1. Basis of consolidation and significant accounting policies continued

A1.2. Significant accounting policies continued

Retirement benefit obligations (note 23) continued

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.

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.

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.

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.

Commercial (and affiliate) contracts for difference
The Group has commercial Contracts for Difference (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.

Seagreen Wind Energy Limited entered commercial operation in the current year and the day 1 gain on the commercial CfD arrangements is being recognised on a straight-line basis over the life of the instrument.

Financial guarantee liabilities
On 1 April 2023, the Group adopted IFRS 17 on a modified retrospective basis from the earliest period presented in these financial statements.

The Group issues financial guarantee contracts to make specified payments to reimburse holders for losses incurred if certain former subsidiaries and certain current joint venture investments fail to make payments when due in accordance with the original or modified terms of a debt instrument.

Prior to adoption of IFRS 17, these contracts were designated as insurance contracts under IFRS 4, where the contracts were treated as contingent liabilities until such time as it became probable the Group would be required to make payment to settle the obligation.

On transition to IFRS 17, the Group elected to apply IFRS 9 "Financial Instruments" to these contracts, as available under the transition arrangements of the new standard.

The financial guarantee contract is initially measured at fair value and subsequently measured at the higher of:

1. the loss allowance for expected credit losses, and

2. the initial fair value less any income recognised.

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.

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

	2024 £m	2024 %	2023 £m	2023 %
Group profit/(loss) before tax	**2,495.1**		(205.6)	
Less: share of results of associates and jointly controlled entities	**(114.1)**		(662.3)	
Profit/(loss) before tax	**2,381.0**		(867.9)	
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 25% (2023: 19%)	**595.3**	**25.0**	(164.9)	19.0
Tax effect of:				
Capital allowances less than depreciation	**(55.7)**	**(2.3)**	(41.6)	4.8
Movement in restructuring and settlement provisions	**(0.6)**	**–**	(1.6)	0.2
Non-taxable gain on sale of assets	**(4.5)**	**(0.2)**	–	–
Fair value movements on derivatives (including prior period adjustment)	**(123.3)**	**(5.2)**	448.8	(51.7)
Pension movements	**(8.9)**	**(0.4)**	(6.7)	0.8
Relief for capitalised interest and revenue costs	**(38.0)**	**(1.6)**	(27.5)	3.2
Hybrid equity coupon payments	**(18.3)**	**(0.8)**	(7.4)	0.9
Expenses not deductible for tax purposes	**54.9**	**2.3**	79.7	(9.3)
Utilisation of tax losses brought forward	**(3.7)**	**(0.2)**	0.1	–
Impact of foreign tax rates	**(36.8)**	**(1.5)**	(0.1)	–
Permanent benefit of super-deduction capital allowances	**–**	**–**	(5.1)	0.6
Adjustments to tax charge in respect of previous years	**(25.6)**	**(1.0)**	(16.7)	1.9
Other items	**1.0**	**–**	(2.3)	0.3
Reported current tax charge and effective rate	**335.8**	**14.1**	254.7	(29.3)
Depreciation in excess of capital allowances	**74.5**	**3.1**	34.3	(4.0)
Movement in provisions	**0.6**	**–**	1.6	(0.2)
Fair value movements on derivatives (including prior period adjustment)	**123.3**	**5.2**	(448.8)	51.7
Pension movements	**8.9**	**0.4**	6.7	(0.8)
Relief for capitalised interest and revenue costs	**38.0**	**1.6**	27.5	(3.2)
Impact of foreign tax rates	**1.8**	**0.1**	(12.8)	1.5
Adjustments to tax charge in respect of previous years	**23.2**	**0.9**	7.0	(0.8)
Change in rate of UK corporation tax	**–**	**–**	9.0	(1.0)
Tax losses utilised	**5.1**	**0.2**	1.9	(0.2)
Other items	**(0.5)**	**–**	8.9	(1.0)
Reported deferred tax credit and effective rate	**274.9**	**11.5**	(364.7)	42.0
Group tax charge/(credit) and effective rate	**610.7**	**25.6**	(110.0)	12.7

Included within 'Expenses not deductible for tax purposes' is £65m in respect of impairment of investments in joint ventures.

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'.

	2024 £m	2023 £m
Profit/(loss) before tax	**2,495.1**	(205.6)
Add/(less):		
Exceptional items and certain re-measurements	**(262.8)**	2,312.8
Share of tax from jointly controlled entities and associates before exceptional items and certain re-measurements	**74.1**	143.1
Depreciation charge on fair value uplifts	**19.0**	28.8
Share of profit attributable to non-controlling interests	**(134.4)**	(28.8)
Adjustment to Gas Production decommissioning provision	**9.9**	(50.5)
Interest income on pension scheme assets/(liabilities)	**(26.2)**	(16.2)
Adjusted profit before tax APM	**2,174.7**	2,183.6

The adjusted current tax charge can therefore be reconciled to the adjusted profit before tax as follows:

	2024 £m	2024 %	2023 £m	2023 %
Adjusted profit before tax	**2,174.7**		2,183.6	
Tax on profit on ordinary activities at standard UK corporation tax rate	**543.7**	**25.0**	414.9	19.0
Tax effect of:				
Capital allowances in excess of depreciation	**(107.5)**	**(4.9)**	(41.7)	(1.9)
Non-taxable gain on sale of assets	**(4.7)**	**(0.2)**	(0.6)	–
Non qualifying depreciation	**12.5**	**0.5**	5.7	0.2
Adjustment for profit on internal trading	**2.5**	**0.1**	6.3	0.3
Movement in restructuring and settlement provisions	**0.8**	**0.1**	6.0	0.3
Pension movements	**(2.4)**	**(0.1)**	(3.6)	(0.2)
Relief for capitalised interest and revenue costs	**(23.2)**	**(1.1)**	(12.7)	(0.6)
Hybrid equity coupon payments	**(18.3)**	**(0.8)**	(7.4)	(0.3)
Expenses not deductible for tax purposes	**23.6**	**1.1**	24.1	1.1
Permanent benefit of super-deduction capital allowances	**1.4**	**0.1**	(7.0)	(0.3)
Losses carried back to earlier years	**7.2**	**0.3**	3.9	0.2
Adjustments to tax charge in respect of previous years	**(25.6)**	**(1.2)**	(22.0)	(1.1)
Impact of foreign tax rates	**(37.9)**	**(1.7)**	(9.4)	(0.4)
Other	**(1.1)**	**(0.1)**	2.3	0.1
Adjusted current tax charge and effective rate APM	**371.0**	**17.1**	358.8	16.4

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 25% for the year to 31 March 2024 (2023: 19%). 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 vast majority of 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)	**2024 Holding %**	2023 Holding %	Principal activity
Aberarder Wind Farm (Scotland) Limited	Scotland	A	**100.0**	100.0	Renewable Development
Aberarder Wind Farm LLP	England and Wales	B	**100.0**	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
Aldbrough Pathfinder Limited	England and Wales	B	**100.0**	–	Power Generation
Arklow Offshore Phase II Company Limited	Ireland	C	**100.0**	100.0	Dormant
Beithe (HK) Limited	Hong Kong	V	**–**	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 Extension Wind Farm Limited	Scotland	A	**100.0**	–	Power Generation
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	Scotland	A	**–**	100.0	Dissolved
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***	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
Enerfarm 3 Single Member S.A. Renewable Energy Sources	Greece	AB	**100.0**	100.0	Renewable Development
Energia Levante S.r.l.	Italy	AC	**100.0**	100.0	Renewable Development
Energiaki Kleidi Single Member S.A.	Greece	AB	**100.0**	100.0	Renewable Development
Energiaki Mavrovouniou Single Member Private Company	Greece	AB	**100.0***	100.0*	Renewable Development
Energiaki Mesovouniou Single Member S.A.	Greece	AB	**100.0**	100.0	Renewable Development
Energiaki Platorrachis Single Member S.A.	Greece	AB	**100.0***	100.0*	Renewable Development
Energiaki Velanidias Single Member S.A.	Greece	AB	**100.0**	100.0	Renewable Development
Enerveo Ireland Limited	Ireland	Z	**100.0**	–	Contracting
Enerveo Limited	England and Wales	AN	**100.0**	–	Contracting
Enshunada Offshore Wind Power No. 1 G.K.	Japan	Y	**80.0**	80.0	Renewable Development
Ferrybridge Hydrogen Limited	England and Wales	B	**100.0**	–	Power Generation
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
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

Company	Country of incorporation	Registered address (key)	**2024 Holding %**	2023 Holding %	Principal activity
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	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
Pomerania PV sp z.o.o. (formerly Optisol 4 sp z.o.o)	Poland	AJ	**100.0**	–	Renewable Development
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**	75.0	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**	100.0	Renewable Development
Sistemas Energéticos Ariel S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Boreas S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Carril S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Céfiro S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos del Sur S.A.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Eolo S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Erbania 1 S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Erbania 2 S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Gregal S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Júpiter S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Ladera Negra, S.A. U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Loma del Reposo S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Marte S.L. U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Mercurio S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Neptuno S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Oberón S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Plutón S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Tablero Tabordo, S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Terral S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Titán S.L.U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Tomillo S.A. U.	Spain	AD	**100.0**	100.0	Renewable Development
Sistemas Energéticos Urano S.L. U.	Spain	AD	**100.0**	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

A3. Related undertakings continued

A3.1.1. Subsidiary undertakings continued

Company	Country of incorporation	Registered address (key)	2024 Holding %	2023 Holding %	Principal activity
Slough Utility Services Limited	England and Wales	B	**100.0**	100.0	Distribution of Electricity
Société d'Exploitation de l'Installation de Stockage (SEIS) D'orchamps	France	AE	**100.0**	–	Electricity Storage
Société d'Exploitation de l'Installation de Stockage (SEIS) de la Cuesta	France	AE	**100.0**	–	Electricity Storage
Société d'Exploitation de la Centrale Photovoltaïque (SECPV) de Vireaux	France	AE	**100.0**	–	Power Generation
Société d'Exploitation de la Centrale Photovoltaïque (SECPV) des Jacquessons	France	AE	**100.0**	–	Power Generation
Société d'Exploitation du Parc Eolien de Chaintrix Bierges SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien de Champeaux SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien de Germainville SAS	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien de la Belle Dame SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien de la Brie des Etangs SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien de la Monchot SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien de la Tête des Boucs SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien (SEPE) de la Voie Pouçoise	France	AE	**100.0**	–	Power Generation
Société d'Exploitation du Parc Eolien de Moulins du Puits SAS	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien de Pringy SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien de Saint Loup de Saintonge SAS	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien (SEPE) de Salon Sud	France	AE	**100.0**	–	Power Generation
Société d'Exploitation du Parc Eolien de Souvans SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien de Vernierfontaine SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien de Villiers aux Chênes SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien des Fontaines SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien des Six Communes SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien des Voies de Bar SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien du Mont Égaré SARL	France	AE	**100.0**	100.0	Renewable Development
Société d'Exploitation du Parc Eolien du Vireaux SAS	France	AE	**100.0**	100.0	Renewable Development
Société du Poste Privé (SPP) de la Cuesta SARL (formerly Société d'Exploitation du Parc Eolien de la Pièce du Moulin SARL)	France	AE	**100.0**	100.0	Renewable Development
Société du Poste Privé (SPP) d'Orchamps SARL (formerly Société d'Exploitation du Parc Eolien d'Orchamps SARL)	France	AE	**100.0**	100.0	Renewable Development
Société du Poste Privé (SPP) du Tonnerrois	France	AE	**100.0**	–	Power Generation
Southern Electric Power Distribution plc	England and Wales	B	**100.0**	100.0	Power Distribution

Company	Country of incorporation	Registered address (key)	**2024 Holding %**	2023 Holding %	Principal activity
SPV Parco Eolico Libeccio S.r.l.	Italy	AC	**100.0**	100.0	Renewable Development
SPV Parco Eolico Maestrale S.r.l.	Italy	AC	**100.0**	100.0	Renewable Development
SPV Parco Eolico Tramontana S.r.l.	Italy	AC	**100.0**	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 Services (NI) Limited (formerly Fusion Heating Limited)	Northern Ireland	Q	**100.0**	100.0	Energy Related Services
SSE Airtricity Energy Supply (NI) Limited	Northern Ireland	F	**100.0**	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	England and Wales	B	**100.0**	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**	100.0	Holding Company
SSE BTM Operational Assets Limited	England and Wales	B	**100.0**	–	Holding Company
SSE Contracting Group Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Cottered Solar Limited	England and Wales	B	**100.0**	–	Power Generation
SSE Cumarsáid Teoranta	Ireland	C	**100.0**	100.0	Telecommunications
SSE Daines BESS Limited	England and Wales	B	**100.0**	–	Power Generation
SSE DE EV Holdco Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE DE Solar Holdco Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Derrymeen BESS Limited (formerly Heron Storage No. 1 Limited)	Northern Ireland	F	**100.0**	–	Renewable Development
SSE Digital Services Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Eggborough Limited	England and Wales	B	**100.0**	–	Power Generation
SSE Energy Markets Limited (formerly SSE EPM Limited)	England and Wales	B	**100.0**	100.0	Energy Trading
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 EV M7 Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE EV Operational Assets Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Ewerby Solar Holdco Limited	England and Wales	B	**100.0**	–	Holding Company
SSE Ewerby Solar Limited	England and Wales	B	**100.0**	–	Power Generation
SSE Fancott BESS Limited	England and Wales	B	**100.0**	–	Power Generation
SSE Ferrybridge Battery Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Fiddlers Ferry Battery Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Foxholes Solar Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Galloper Offshore Windfarm Holdings Limited	England and Wales	B	**–**	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 Hydrogen Holdings Limited	England and Wales	B	**100.0**	–	Holding Company
SSE Hydrogen Developments Limited	England and Wales	B	**100.0**	–	Power Generation
SSE IAMP Microgrid Limited	England and Wales	B	**100.0**	–	Utility Services
SSE Imperial Park PN Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Insurance Limited	Isle of Man	G	**100.0**	100.0	Insurance
SSE Knapthorpe Solar Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Low Carbon Developments Limited	England and Wales	B	**100.0**	–	Power Generation
SSE Low Carbon Holdings Limited	England and Wales	B	**100.0**	–	Holding Company
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	England and Wales	B	**100.0**	100.0	Power Generation
SSE Newchurch Solar Limited	England and Wales	B	**100.0**	–	Power Generation

A3. Related undertakings continued

A3.1.1. Subsidiary undertakings continued

Company	Country of incorporation	Registered address (key)	2024 Holding %	2023 Holding %	Principal activity
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 Private Networks Holdco Limited	England and Wales	B	**100.0**	–	Holding Company
SSE Production Services Limited	England and Wales	B	**100.0**	100.0	Maintenance Services
SSE Renewables France SARL (formerly Société d'Exploitation du Parc Eolien de Broyes SARL)	France	AE	**100.0**	100.0	Renewable Development
SSE Renewables (Ireland) Limited	Ireland	C	**100.0**	100.0	Holding Company
SSE Renewables Iris Solar 1 sp. z o.o. (formerly IBC SE PL3 sp. z o.o.)	Poland	AJ	**100.0**	–	Renewable Development
SSE Renewables Iris Solar 2 sp. z o.o. (formerly IBC SE PL20 sp. z o.o)	Poland	AJ	**100.0**	–	Renewable Development
SSE Renewables Iris Solar 3 sp. z o.o. (formerly IBC SE PL22 sp. z o.o.)	Poland	AJ	**100.0**	–	Renewable Development
SSE Renewables Iris Solar 4 sp. z o.o. (formerly IBC SE PL23 sp. z o.o.)	Poland	AJ	**100.0**	–	Renewable Development
SSE Renewables Iris Solar 5 sp. z o.o. (formerly IBC SE PL24 sp. z o.o.)	Poland	AJ	**100.0**	–	Renewable Development
SSE Renewables Iris Solar 6 sp. z o.o. (formerly IBC SE PL34 sp. z o.o.)	Poland	AJ	**100.0**	–	Renewable Development
SSE Renewables (Netherlands) Holdings B.V.	Netherlands	AA	**100.0**	100.0	Holding Company
SSE Renewables Developments (Germany) GmbH	Germany	U	**100.0**	100.0	Renewable Development
SSE Renewables Developments (The Netherlands) B.V.	Netherlands	AA	**100.0**	–	Renewable Development
SSE Renewables Generation Ireland Limited	Ireland	C	**100.0**	100.0	Power Generation
SSE Renewables Hellas Single Member S.A. (formerly Energiaki Voursana Single Member S.A.)	Greece	AB	**100.0**	100.0	Renewable Development
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	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**	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.	Poland	X	**100.0**	100.0	Renewable Development
SSE Renewables Services (UK) Limited	Northern Ireland	F	**100.0**	100.0	Renewable Development
SSE Renewables Solar & Battery Holdings Limited (formerly SSE DE Battery Holdco Limited)	England and Wales	B	**100.0**	100.0	Holding Company
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
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

Company	Country of incorporation	Registered address (key)	**2024 Holding %**	2023 Holding %	Principal activity
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	England and Wales	B	**100.0**	100.0	Power Generation
SSE Staythorpe Power Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Staythorpe SGT Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Staythorpe Solar Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Southery 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**	100.0	Renewable Development
SSE Sunflower Offshore Wind Limited Partner 2 B.V.	Netherlands	AA	**100.0**	100.0	Renewable Development
SSE Sunflower Offshore Wind Limited Partner 3 B.V.	Netherlands	AA	**100.0**	100.0	Renewable Development
SSE Sunflower Offshore Wind Limited Partner 4 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**	100.0	Renewable Development
SSE Tulip Offshore Wind Limited Partner 2 B.V.	Netherlands	AA	**100.0**	100.0	Renewable Development
SSE Tulip Offshore Wind Limited Partner 3 B.V.	Netherlands	AA	**100.0**	100.0	Renewable Development
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
SSE Yuza Offshore Wind Power G.K. (formerly SSE Happo-Nishiro Offshore Wind Power G.K.)	Japan	Y	**80.0**	–	Renewable Development
SSEN Distribution Limited	Scotland	A	**100.0**	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
S + S Limited	Scotland	A	**100.0**	100.0	Dormant
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
Tokushima Offshore Wind Power G.K.	Japan	Y	**80.0**	–	Renewable Development
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	A	**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

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 (Scotland) Limited	SC746968
Aberarder Wind Farm LLP	OC398487
Bhlaraidh Wind Farm Limited	SC663027
Fibre Fuel Limited	02902165
Fibre Power (Slough) Limited	02902170
Keadby Wind Farm Limited	06852112
Slough Utility Services Limited	03486590
SSE Airtricity Energy Services (NI) Limited (formerly Fusion Heating Limited)	NI056373
SSE Beatrice Offshore Windfarm Holdings Limited	SC436255
SSE BTM HoldCo Limited	14413957
SSE BTM Operational Assets Limited	14885059
SSE DE EV Holdco Limited	14278443
SSE DE Solar HoldCo Limited	14189570
SSE Eggborough Limited	14939853
SSE Enterprise Limited	10060563
SSE EV M7 Limited	14418288
SSE EV Operational Assets Limited	14401537
SSE Group Limited	SC126049
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 Private Networks Holdco Limited	14921243
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 Solar & Battery Holdings Limited (formerly SSE DE Battery Holdco Limited)	13561962
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 Southery Solar Limited	14953142
SSE Staythorpe Battery Limited	14046860
SSE Staythorpe Power Limited	14043534
SSE Staythorpe SGT Limited	14046946
SSE Staythorpe Solar Limited	14046913
SSE Thermal Energy Holdings Limited	12650549
SSE Toddleburn Limited	SC259104
SSE Viking Limited	06021053
SSE(SE) Quest Trustee Limited	03487059
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)	**2024 Holding %**	2023 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
Bellair Wind Farm Designated Activity Company	Ireland	AM	**50.0**	–	Renewable Development
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
Coolnagun Wind Farm Designated Activity Company	Ireland	AM	**50.0**	–	Renewable Development
Cornafulla Wind Farm Designated Activity Company	Ireland	AM	**50.0**	–	Renewable Development
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**	50.0	Power Generation
Deeside Power Operation Limited	England and Wales	AF	**50.0**	50.0	Power Generation
Derryfadda Wind Farm Designated Activity Company	Ireland	AM	**50.0**	–	Renewable Development
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
Doggerbank Offshore Wind Farm Project 3 And 4 Leaseco Limited (formerly Gatroben Offshore Developments 3 Limited)	England and Wales	B	**50.0**	50.0	Renewable Development
Doggerbank Offshore Wind Farm Project 4 Holdco Limited (formerly Gatroben Offshore Developments 1 Limited)	England and Wales	B	**50.0**	50.0	Renewable Development
Doggerbank Offshore Wind Farm Project 4 Projco Limited (formerly Gatroben Offshore Developments 2 Limited)	England and Wales	B	**50.0**	50.0	Renewable Development
Dunmaglass Wind Farm Limited	Scotland	A	**50.1**	50.1	Power Generation
Eastern Green Link 2 Limited***	England and Wales	AI	**50.0**	–	Power Transmission
Everwind Limited	Ireland	S	**49.0**	49.0	Power Generation
Fearna PSH Limited	England and Wales	B	**50.0**	–	Renewable Development
Garryhinch Wind Farm Designated Activity Company	Ireland	AM	**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**	50.0	Holding Company
Green H2 Developments Project Co Limited	England and Wales	B	**50.0**	50.0	Renewable Development
Green Way Energy Limited	Ireland	M	**50.0**	50.0	Holding Company
H2NE Parentco Limited	England and Wales	AL	**50.0**	–	Holding Company
H2Northeast Limited	England and Wales	AL	**50.0**	–	Renewable Development
ICE Santa Engracia, S.L.U.	Spain	AO	**44.6**	–	Renewable Development
Indian Queens Power Limited	England and Wales	AF	**50.0**	50.0	Power Generation
Kerry Power Limited	Ireland	M	**49.0**	49.0	Power Generation
Kilberry Wind Farm Designated Activity Company	Ireland	AM	**50.0**	–	Renewable Development

A3. Related undertakings continued

A3.1.2. Joint arrangements (incorporated) continued

Company	Country of incorporation	Registered address (key)	2024 Holding %	2023 Holding %	Principal activity
Lely Alpha Offshore Wind General Partner B.V.	Netherlands	AA	50.0	–	Renewable Development
Lely Alpha Offshore Wind Projco C.V.	Netherlands	AA	50.0	–	Renewable Development
Lely Beta Offshore Wind General Partner B.V.	Netherlands	AA	50.0	–	Renewable Development
Lely Beta Offshore Wind Projco C.V.	Netherlands	AA	50.0	–	Renewable Development
Lemanaghan Wind Farm Designated Activity Company	Ireland	AM	50.0	–	Renewable Development
Lenalea Wind Farm Designated Activity Company	Ireland	C	50.0	50.0	Renewable Development
Littleton Wind Farm Designated Activity Company	Ireland	AM	50.0	–	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	Scotland	A	40.0	40.0	Holding company
Ossian Offshore Wind Farm Limited	Scotland	A	40.0	40.0	Renewable Development
Poseidon Offshore Wind Holdco Pty Limited	Australia	AK	50.0	–	Holding company
Poseidon Offshore Wind Pty Limited	Australia	AK	50.0	–	Renewable Development
Pride (SERP) Limited	England and Wales	AP	50.0	–	Contracting
Saltend Cogeneration Company Limited	England and Wales	AF	50.0	50.0	Power Generation
Saltend Operations Company Limited	England and Wales	AF	50.0	50.0	Power Generation
SCCL Holdings Limited	England and Wales	AF	50.0	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	50.0	Holding company
Triton Power Intermediate Holdings Limited	Jersey	AH	50.0	50.0	Holding company
Triton Power Limited	Jersey	AH	50.0	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)	2024 Holding %	2023 Holding %	Principal activity
Corran Environmental LP	Scotland	AQ	100.0	100.0	Renewable Development
Corran Environmental II LP	Scotland	AR	12.5	–	Renewable Development
St Clements Services Limited	England and Wales	P	25.0	25.0	Utilities Software

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

Reference	Company registered address
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 Bird & Bird LLP, Maximiliansplatz 22, Munich 80333
V	Rm 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
W	United Agent Group Inc, 1521 Concord Pike, Suite 201, Wilmington DE 19803
X	Towarowa no.28, suite 00–839, Warsaw, Poland
Y	Roppongi Grand Tower, 3-2-1 Roppongi, Minato-ku, Tokyo, Japan
Z	Unit 42 Block 528, Grants View, Greenogue Business Park, Rathcoole, Dublin, Ireland
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	Plac Marszałka Józefa Piłsudskiego 2 00-073 Warsaw
AK	Ground Floor, 36 Esplanade, Brighton, VIC 3186
AL	Suite 1 7th Floor, 50 Broadway, London, United Kingdom, SW1H 0BL
AM	Main St, Newbridge, Kildare, Ireland
AN	Second Floor Eagle Court 2, Hatchford Way, Birmingham B26 3RZ
AO	Portalada, 50, 26.006, Logroño (La Rioja), Spain
AP	Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG
AQ	4th Floor, 7 Castle Street, Edinburgh, EH2 3AH
AR	10c Wester Coates Gardens, Edinburgh, EH12 5LT

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

A4. Joint ventures and associates continued

Summary information for material joint ventures and associates from unaudited financial statements is as follows:

	Seabank Power Limited 2024 £m	Marchwood Power Limited 2024 £m	SSE Slough Multifuel Limited 2024 £m	Clyde Windfarm (Scotland) Limited 2024 £m	Seagreen Holdco 1 Energy Limited 2024 £m	Beatrice Offshore Windfarm Limited 2024 £m	Dunmaglass Wind Farm Limited 2024 £m	Stronelairg Wind Farm Limited 2024 £m	Triton Power Holdings Limited 2024 £m	Neos Networks Limited 2024 £m	Doggerbank Offshore Wind Farm Project 1 Projco Limited 2024 £m	Other (i) 2024 £m	Total 2024 £m
Revenue	258.8	56.3	0.9	168.3	282.0	155.1	37.1	90.7	811.5	122.3	0.5	69.3	2,052.8
Other income	–	–	–	–		220.3	–	–	–	–	–	–	220.3
Depreciation and amortisation	(6.9)	(39.7)	–	(29.0)	(81.5)	(87.8)	(7.7)	(13.7)	(34.6)	(93.2)	(0.4)	(26.7)	(421.2)
Other operating costs	(197.0)	(28.8)	(4.4)	(38.3)	(36.1)	(112.1)	(7.3)	(19.5)	(750.9)	(93.7)	(2.8)	(28.0)	(1,318.9)
Movement on Derivatives	–	–	–	–	167.4	–	–	–	(41.2)	–	–	–	126.2
Operating profit	54.9	(12.2)	(3.5)	101.0	331.8	175.5	22.1	57.5	(15.2)	(64.6)	(2.7)	14.6	659.2
Interest expense	0.8	(3.2)	(0.5)	(16.8)	(121.0)	(62.2)	(5.8)	(10.8)	8.4	(20.4)	–	(8.0)	(239.5)
Profit before tax	55.7	(15.4)	(4.0)	84.2	210.8	113.3	16.3	46.7	(6.8)	(85.0)	(2.7)	6.6	419.7
Corporation tax	(13.9)	1.0	(4.1)	(21.9)	(55.3)	(38.8)	(4.2)	(12.0)	(4.2)	–	(0.7)	(3.8)	(157.9)
Profit after tax	41.8	(14.4)	(8.1)	62.3	155.5	74.5	12.1	34.7	(11.0)	(85.0)	(3.4)	2.8	261.8
Recognised in other comprehensive income													
Cash flow hedges	–	–	0.2	–	(46.3)	(1.4)	–	–	–	–	(31.9)	(46.6)	(126.0)
Taxation	–	–	(0.1)	–	11.6	0.4	–	–	–	–	8.0	11.7	31.6
	–	–	0.1	–	(34.7)	(1.0)	–	–	–	–	(23.9)	(34.9)	(94.4)
Total comprehensive income/(loss)	41.8	(14.4)	(8.0)	62.3	120.8	73.5	12.1	34.7	(11.0)	(85.0)	(27.3)	(32.1)	167.4
SSE share of profit (based on % equity)	20.9	(7.2)	(4.0)	31.2	76.2	29.8	6.1	17.4	(5.5)	(42.5)	(1.4)	(6.9)	114.1
Dividends paid to shareholders	38.0	14.3	–	146.0	42.8	34.3	33.0	70.0	65.0	–	–	18.4	461.8
Non-current assets	89.5	124.1	192.5	537.9	3,556.6	1,873.1	173.3	316.3	432.9	538.0	3,115.0	4,866.1	15,815.3
Current assets	37.3	37.4	229.2	80.8	47.8	70.9	19.3	41.9	3.6	32.0	34.2	57.8	692.2
Cash and cash equivalents	70.8	19.6	5.0	40.6	245.7	102.3	8.6	29.1	4.6	22.0	87.4	187.8	823.5
Current liabilities	(14.0)	(34.6)	(77.3)	(12.7)	(309.0)	(181.3)	(3.1)	(10.6)	(18.6)	(131.0)	(65.6)	(225.1)	(1,082.9)
Non-current liabilities	(46.0)	(37.7)	(20.6)	(434.4)	(3,005.8)	(1,752.9)	(145.4)	(261.4)	(328.9)	(346.0)	(2,726.1)	(4,138.2)	(13,243.4)
Net assets	137.6	108.8	328.8	212.2	535.3	112.1	52.7	115.3	93.6	115.0	444.9	748.4	3,004.7
Group equity interest	50.0%	50.0%	50.0%	50.1%	49.0%	40.0%	50.1%	50.1%	50.0%	50.0%	40.0%	–	–
Net assets	137.6	108.8	328.8	212.2	535.3	112.1	52.7	115.3	93.6	115.0	444.9	748.4	3,004.7
Group's share of ownership interest	68.8	54.4	164.4	106.1	262.3	44.8	26.4	57.8	46.8	57.5	178.0	324.3	1,391.6
Other adjustments	(20.4)	(0.3)	(79.1)	32.6	224.8	(16.0)	66.9	208.3	108.8	(22.9)	2.3	66.6	571.6
Carrying value of Group's equity interest	48.4	54.1	85.3	138.7	487.1	28.8	93.3	266.1	155.6	34.6	180.3	390.9	1,963.2

(i) In addition to the above the following joint ventures and associates have an equity carrying value that constitutes a material investment of the group: Doggerbank Offshore Wind Farm Project 2 Projco Limited £119.2m (2023: £129.8m): Doggerbank Offshore Wind Farm Project 3 Projco Limited £87.3m (2023: £86.2m) and Ossian Offshore Wind Farm Limited £55.3m (2023: £41.3m).

	(restated*)											
	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												
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	40.8	27.4	149.9	(15.3)	68.1	214.7	73.1	(22.5)	113.8	630.0
Carrying value of Group's equity interest	46.5	68.4	82.3	180.2	349.7	13.1	106.9	293.8	269.9	74.7	490.2	1,975.7

* The comparatives have been restated. See note 2.1.

A4. Joint ventures and associates continued

In addition to the above at 31 March 2024, the Group was owed the following loans from its principal joint ventures: Marchwood Power Limited £12.2m (2023: £25.7m); Clyde Windfarm (Scotland) Limited £127.1m (2023: £127.1m); Dunmaglass Wind Farm Limited £46.6m (2023: £46.6m); Stronelairg Wind Farm Limited £88.7m (2023: £88.7m); Neos Networks Limited £57.7m (2023: £56.0m); Seagreen Wind Energy Limited £686.4m (2023: £593.1m); SSE Slough Multifuel Limited £157.8m (2023: £128.0m) and Doggerbank A Offshore Windfarm Limited £87.7m (2023: £nil).

This represents 93% (2023: 96%) 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.

	2024 Sale of goods and services £m	2024 Purchase of goods and services £m	2024 Amounts owed from £m	2024 Amounts owed to £m	2023 Sale of goods and services £m	2023 Purchase of goods and services £m	2023 Amounts owed from £m	2023 Amounts owed to £m
Joint ventures:								
Marchwood Power Limited	**42.6**	**(63.2)**	**–**	**(13.0)**	122.4	(228.5)	–	(16.8)
Clyde Windfarm (Scotland) Limited	**5.6**	**(153.9)**	**–**	**(48.7)**	4.8	(280.5)	0.1	(49.5)
Beatrice Offshore Windfarm Limited	**4.8**	**(75.5)**	**2.0**	**(6.8)**	4.7	(176.5)	1.0	(8.7)
Stronelairg Windfarm Limited	**2.5**	**(75.6)**	**–**	**(20.8)**	2.4	(146.2)	–	(21.7)
Dunmaglass Windfarm Limited	**1.1**	**(32.2)**	**–**	**(8.6)**	1.1	(66.4)	–	(9.1)
Neos Networks Limited	**3.8**	**(28.5)**	**6.1**	**(4.7)**	3.8	(23.8)	46.2	(5.8)
Seagreen Wind Energy Limited	**19.8**	**(113.4)**	**11.3**	**(11.7)**	35.2	(44.4)	22.9	(7.5)
Doggerbank A, B, C and D	**36.5**	**–**	**10.7**	**–**	25.4	–	7.6	–
Other Joint Ventures	**18.0**	**(209.4)**	**6.7**	**(63.9)**	14.0	(219.2)	1.1	(50.8)

The transactions with 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.

The amounts outstanding are trading balances, are unsecured and will be settled in cash. 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.

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 Chief Financial Officer (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 2024, the Group continued to be exposed to the economic conditions impacting the primary commodities to which it is exposed (Gas, Carbon and Power). The Group's approach to hedging, and the diversity of its energy portfolios (across Wind, Hydro, Thermal and Customers) has provided certain mitigation of these exposures.

At 31 March, the Group's collateral position was as follows:

	Note	**2024 £m**	2023 £m
Collateral posted included within trade and other receivables	18	**9.3**	316.3
Collateral held included within trade and other payables	19	**(362.5)**	–
Net collateral posted		**(353.2)**	316.3

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 SSE Energy Markets 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 domestic 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, SSE Energy Markets 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 2024, SSE Energy Markets had pledged no cash collateral (2023: £316.3m) and £459.9m (2023: £443.6m) of letters of credit, and had received £353.2m (2023: none) of cash collateral and £130.8m (2023: £110.8m) of 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.

Credit exposure also exists in relation to financial guarantees issued by Group companies under which the total outstanding exposure at 31 March 2024 was £684.9m (2023: £869.7m) in respect of liabilities of joint ventures and associates and £479.3m (2023: £633.3m) in respect of the liabilities of former subsidiaries. An amount of £39.5m (2023: £70.9m) is recorded as a liability at 31 March 2024 in respect of the carrying value of these guarantees. Expected loss allowances for financial guarantee contracts have been reviewed at the balance sheet date and will be reviewed on an annual basis.

A6. Financial risk management continued

A6.1. Credit risk continued

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.

A6.2. Concentrations of risk

Trade receivables recorded by reported segment held at the 31 March were:

	2024 £m	2023 £m
SSEN Transmission	5.9	8.0
SSEN Distribution	133.5	137.2
SSE Renewables	97.9	88.3
SSE Thermal	39.1	41.0
Gas Storage	1.0	1.5
Energy Customer Solutions		
SSE Business Energy	545.4	386.9
SSE Airtricity	115.5	125.1
SSE Enterprise	12.3	31.8
SSE Energy Markets	311.7	567.5
Corporate Unallocated	43.2	16.7
Total SSE Group	**1,305.5**	1,404.0

Energy Customers Solution (SSE Business Energy and SSE Airtricity) accounts for 50.6% (2023: 36.5%) of the Group's trade receivables from continuing operations. Trade receivables associated with the Group's 1.1 million electricity and gas customers are recorded within this business unit. The Group also has significant trade receivables associated with its SSE Energy Markets 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 a SSE Energy Markets customer (also a SSE Energy Markets supplier), is 3% (2023: 8%) of the total trade receivables.

The ageing of trade receivables at the reporting date was:

	2024 £m	2023 £m
Not past due	962.6	1,229.0
Past due but not individually impaired:		
0 – 30 days	132.5	116.3
31 – 90 days	119.9	65.6
Over 90 days	343.9	162.3
	1,558.9	1,573.2
Less: allowance for impairment	(253.4)	(169.2)
Net trade receivables	1,305.5	1,404.0

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 increase in aged debt across all periods is predominantly due to factors associated with the migration of SSE Business Energy customer accounts and balances to a new billing system and associated issues relating to collection activities alongside other wider economic factors such as lower levels of government support to customers. This factor and the associated increase in subjectivity related is commented upon in Note 4.3(iii). 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 £4.1m (2023: £12.8m).

The movement in the allowance for impairment of trade receivables (continuing operations only) was:

	2024 £m	2023 £m
Balance at 1 April	**169.2**	78.2
Increase/(decrease) in allowance for impairment	**121.5**	116.8
Impairment losses recognised	**(37.3)**	(25.8)
Balance at 31 March	**253.4**	169.2

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 a £15m overdraft facility.

The refinancing requirement in the 24/25 financial year is £1.1bn, being the £852m of short-term Commercial Paper that matures between April and May, and $320m (£204m) of US Private Placement maturing 16 April 2024. 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 £15.5bn of medium to long term debt and Hybrid equity since February 2012, including £1.1bn of long term funding in the 23/24 financial year being a €750m 8 year Eurobond at 4.0% in August 2023 for SSE plc and a 20 year £500m Eurobond at a coupon of 5.5% for Scottish Hydro Electric Transmission plc.

The Group's period of Going Concern assessment is performed to 31 December 2025, 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 covenants 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 2025. The statement of going concern is included in the Audit Committee Report.

As at 31 March 2024, the net value of outstanding cash collateral held in respect of mark-to-market related margin calls on exchange traded positions was £353.2m (2023: cash posted £316.3m).

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.

A6. Financial risk management continued

A6.3. Liquidity risk and Going Concern continued

The following are the undiscounted contractual maturities of financial liabilities, including interest and excluding the impact of netting agreements:

Liquidity risk	2024 Carrying value £m	2024 Contractual cash flows £m	2024 0 – 12 months £m	2024 1–2 years £m	2024 2–5 years £m	2024 > 5 years £m
Financial liabilities						
Loans and borrowings						
Commercial paper and cash advances	840.4	(852.4)	(852.4)	–	–	–
Loans – floating	200.0	(244.3)	(11.1)	(11.1)	(222.1)	–
Loans – fixed	1,367.0	(1,883.2)	(255.7)	(47.1)	(445.5)	(1,134.9)
Unsecured bonds – fixed	6,317.9	(8,964.7)	(218.8)	(1,174.7)	(856.4)	(6,714.8)
Fair value adjustment	0.9	–	–	–	–	–
	8,726.2	(11,944.6)	(1,338.0)	(1,232.9)	(1,524.0)	(7,849.7)
Lease liabilities	407.5	(616.5)	(91.8)	(54.1)	(142.1)	(328.5)
	9,133.7	(12,561.1)	(1,429.8)	(1,287.0)	(1,666.1)	(8,178.2)
Derivative financial liabilities						
Operating derivatives designated at fair value	428.4	(904.4)	(1,239.2)	(73.2)	90.2	317.8
Interest rate swaps used for hedging	57.4	(57.4)	(26.1)	(10.6)	(16.9)	(3.8)
Interest rate swaps designated at fair value	38.4	(38.4)	(5.2)	(5.2)	(9.8)	(18.2)
Forward foreign exchange contracts held for hedging	30.5	(1,340.9)	(557.7)	(99.8)	(647.6)	(35.8)
Forward foreign exchange contracts designated at fair value	12.7	377.1	352.2	22.1	2.8	–
	567.4	(1,964.0)	(1,476.0)	(166.7)	(581.3)	260.0
Other financial liabilities						
Trade payables	656.7	(656.7)	(656.7)	–	–	–
Financial guarantee liabilities	39.5	(39.5)	(2.9)	(2.7)	(7.8)	(26.1)
	696.2	(696.2)	(659.6)	(2.7)	(7.8)	(26.1)
Total	10,397.3	(15,221.3)	(3,565.4)	(1,456.4)	(2,255.2)	(7,944.3)
Derivative financial assets						
Financing derivatives	(120.5)	(168.3)	(179.7)	(1.3)	12.7	–
Operating derivatives designated at fair value	(479.8)	761.6	756.7	6.6	(1.7)	–
	(600.3)	593.3	577.0	5.3	11.0	–
Net total[i]	9,797.0	(14,628.0)	(2,988.4)	(1,451.1)	(2,244.2)	(7,944.3)

Liquidity risk	2023 Carrying value £m	2023 Contractual cash flows £m	(restated*) 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 foreign exchange contracts held for hedging	11.5	(337.7)	(292.0)	(42.3)	(3.4)	–
Forward foreign 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)	–	–	–
Financial guarantee liabilities	70.9	(70.9)	(4.4)	(4.0)	(11.7)	(50.8)
	765.5	(765.5)	(699.0)	(4.0)	(11.7)	(50.8)
Total	11,089.7	(14,592.4)	(4,239.7)	(1,032.9)	(3,395.2)	(5,924.6)
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)]	10,084.5	(12,508.0)	(2,751.0)	(909.9)	(3,230.3)	(5,616.8)

* The comparatives have been restated. See note 2.1.

(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. Financial risk management continued

A6.4. Commodity risk

The Group's Energy Markets 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 SSE Energy Markets arises from the Group's requirement to source gas, electricity or other commodities such as renewable obligation certificates for SSE Business Energy and SSE Airtricity, and to procure fuel and other commodities and provide a route-to-market and risk management services for SSE Renewables, SSE Thermal, and Gas Storage.

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 September 2023, this has been around 80%.	Power, Gas, Carbon
Hydro	80% 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 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
SSE 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 SSE Energy Markets to effect these hedges and SSE Energy Markets then trading onwards with external counterparties and markets. SSE Energy Markets 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 SSE Energy Markets 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.

	2024		2023	
	Base Price[(i)]	**Reasonably possible increase/ decrease in variable**	Base Price[(i)]	Reasonably possible increase/ decrease in variable
Commodity prices				
UK gas (p/therm)	**91**	**+73/-54**	113	+90/-71
UK power (£/MWh)	**72**	**+43/-34**	149	+89/-72
UK carbon (£/tonne)	**37**	**+31/-22**	74	+54/-39
EU emissions (€/tonne)	**40**	**+20/-16**	98	+69/-54
UK oil (US$/bbl)	**–**	**–**	597	+290/-244
IRL power (€/MWh)	**106**	**+86/-63**	172	+138/-108
EU power (€/MWh)	**24**	**+12/-10**	–	–

(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 Energy Markets price model simulations and the volatility assumptions of the model have been calibrated from a look-back analysis over the previous 12 month 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)	**2024 Impact on profit and equity (£m)**	2023 Impact on profit and equity (£m)
Commodity prices combined – increase	**(7.1)**	399.3
Commodity prices combined – decrease	**(0.4)**	(306.3)

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.

At the balance sheet date, the total nominal value of outstanding forward foreign exchange contracts that the Group has committed to is:

	2024 £m	2023 £m
Forward foreign exchange contracts	**3,197.1**	2,516.5

A6. Financial risk management continued

A6.5. Currency risk continued

The Group's exposure to foreign currency risk was as follows:

	2024					2023			
	SEK (million)	$ (million)	€ (million)	CNH (million)	CHF (million)	SEK (million)	$ (million)	€ (million)	CNH (million)
Loans and borrowings	–	564.0	3,750.0	–	–	–	564.0	3,700.0	–
Purchase and commodity contract commitments	5,344.7	10.7	1,296.1	530.0	10.4	420.9	7.9	123.9	334.2
Gross exposure	5,344.7	574.7	5,046.1	530.0	10.4	420.9	571.9	3,823.9	334.2
Forward exchange/swap contracts	5,344.7	574.7	2,671.3	530.0	10.4	420.9	571.9	2,266.1	334.2
Net exposure (in currency)	–	–	2,374.8	–	–	–	–	1,557.8	–
Net exposure (in £m)	–	–	2,030.2	–	–	–	–	1,369.6	–

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.

The majority of these contracts are held to limit exposure to foreign currency movements on asset procurement contracts. 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 2024 £m	At 31 March 2023 £m	At 31 March 2024 £m	At 31 March 2023 £m
US Dollars	–	–	–	–
Euro	142.5	98.9	26.7	24.4
SEK	–	–	–	–
CHN	–	–	–	–
CHF	–	–	–	–
	142.5	98.9	26.7	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 £1,035.9m (2023: £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:

	2024 Carrying amount £m	2023 Carrying amount £m
Interest bearing/earning assets and liabilities:		
– fixed	**(8,766.1)**	(8,473.9)
– floating	**685.5**	441.0
	(8,080.6)	(8,032.9)
Represented by:		
Cash and cash equivalents	**1,035.9**	891.8
Derivative financial liabilities	**17.2**	135.2
Loans and borrowings	**(8,726.2)**	(8,654.0)
Lease liabilities	**(407.5)**	(405.9)
	(8,080.6)	(8,032.9)

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.

	2024 £m	2023 £m
Income statement	**2.6**	3.7

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.

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:

	2024 Amortised cost(i) £m	2024 FVTPL/ FVTOCI(ii) £m	2024 Total carrying value £m	2024 Fair value £m	2023 Amortised cost(i) £m	2023 FVTPL/ FVTOCI(ii) £m (restated*)	2023 Total carrying value £m (restated*)	2023 Fair value £m (restated*)
Financial assets								
Current								
Trade receivables	**1,305.5**	**–**	**1,305.5**	**1,305.5**	1,404.0	–	1,404.0	1,404.0
Other receivables	**4.1**	**–**	**4.1**	**4.1**	12.7	–	12.7	12.7
Cash collateral and other short term loans	**9.3**	**–**	**9.3**	**9.3**	316.3	–	316.3	316.3
Cash and cash equivalents	**1,035.9**	**–**	**1,035.9**	**1,035.9**	891.8	–	891.8	891.8
Derivative financial assets	**–**	**536.1**	**536.1**	**536.1**	–	759.2	759.2	759.2
	2,354.8	**536.1**	**2,890.9**	**2,890.9**	2,624.8	759.2	3,384.0	3,384.0
Non-current								
Unquoted equity investments	**–**	**3.2**	**3.2**	**3.2**	–	27.4	27.4	27.4
Loan note receivable	**170.1**	**–**	**170.1**	**170.1**	149.5	–	149.5	149.5
Loans to associates and jointly controlled entities	**1,352.9**	**–**	**1,352.9**	**1,352.9**	1,114.6	–	1,114.6	1,114.6
Derivative financial assets	**–**	**64.2**	**64.2**	**64.2**	–	246.0	246.0	246.0
	1,523.0	**67.4**	**1,590.4**	**1,590.4**	1,264.1	273.4	1,537.5	1,537.5
	3,877.8	**603.5**	**4,481.3**	**4,481.3**	3,888.9	1,032.6	4,921.5	4,921.5
Financial liabilities								
Current								
Trade payables	**(656.7)**	**–**	**(656.7)**	**(656.7)**	(694.6)	–	(694.6)	(694.6)
Outstanding liquid funds	**(362.5)**	**–**	**(362.5)**	**(362.5)**	–	–	–	–
Loans and borrowings	**(1,044.5)**	**–**	**(1,044.5)**	**(1,113.6)**	(1,738.5)	–	(1,738.5)	(1,747.8)
Lease liabilities	**(83.5)**	**–**	**(83.5)**	**(83.5)**	(82.1)	–	(82.1)	(82.1)
Financial guarantee liabilities	**–**	**(3.1)**	**(3.1)**	**(3.1)**	–	(4.4)	(4.4)	(4.4)
Derivative financial liabilities	**–**	**(345.2)**	**(345.2)**	**(345.2)**	–	(1,021.0)	(1,021.0)	(1,021.0)
	(2,147.2)	**(348.3)**	**(2,495.5)**	**(2,564.6)**	(2,515.2)	(1,025.4)	(3,540.6)	(3,549.9)
Non-current								
Loans and borrowings	**(7,680.8)**	**(0.9)**	**(7,681.7)**	**(7,440.6)**	(6,760.9)	(154.6)	(6,915.5)	(6,458.4)
Lease liabilities	**(324.0)**	**–**	**(324.0)**	**(324.0)**	(323.8)	–	(323.8)	(323.8)
Financial guarantee liabilities	**–**	**(36.4)**	**(36.4)**	**(36.4)**	–	(66.5)	(66.5)	(66.5)
Derivative financial liabilities	**–**	**(222.2)**	**(222.2)**	**(222.2)**	–	(243.3)	(243.3)	(243.3)
	(8,004.8)	**(259.5)**	**(8,264.3)**	**(8,023.2)**	(7,084.7)	(464.4)	(7,549.1)	(7,092.0)
	(10,152.0)	**(607.8)**	**(10,759.8)**	**(10,587.8)**	(9,599.9)	(1,489.8)	(11,089.7)	(10,641.9)
Net financial liabilities	**(6,274.2)**	**(4.3)**	**(6,278.5)**	**(6,106.5)**	(5,711.0)	(457.2)	(6,168.2)	(5,720.4)

* The comparative information has been restated. See notes 1.2 and 2.1.
(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. Fair values for financial guarantee contracts are equal to the premium or fee received/charged.

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.

	2024 Level 1 £m	2024 Level 2 £m	2024 Level 3 £m	2024 Total £m
Financial assets				
Energy derivatives	**357.7**	**121.6**	**0.5**	**479.8**
Interest rate derivatives	**–**	**113.0**	**–**	**113.0**
Foreign exchange derivatives	**–**	**7.5**	**–**	**7.5**
Unquoted equity investments	**–**	**–**	**3.2**	**3.2**
	357.7	**242.1**	**3.7**	**603.5**
Financial liabilities				
Energy derivatives	**–**	**(327.1)**	**(101.3)**	**(428.4)**
Interest rate derivatives	**–**	**(95.8)**	**–**	**(95.8)**
Foreign exchange derivatives	**–**	**(43.2)**	**–**	**(43.2)**
Loans and borrowings	**–**	**(0.9)**	**–**	**(0.9)**
	–	**(467.0)**	**(101.3)**	**(568.3)**

The table above excludes financial guarantee liabilities measured in accordance with IFRS 17. 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 2024. 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 2024.

In December 2023, the Group entered into an additional Affiliate Contract for Difference ("ACfD") agreement with Seagreen Wind Energy Limited ("SWEL") with a 5 year term. SWEL is a wholly owned subsidiary of Seagreen Holdco 1 Limited, a joint venture between the Group (49%) and TOTAL SE (51%) and TOTAL SE entered into a equivalent ACfD with SWEL on the same day. 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 £99.0m (2023: £1.8m). 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.

Seagreen Offshore Wind Farm reached full commercial operations during October 2023. The deferred day 1 fair value across all Seagreen contracts commenced amortisation in December 2023 with a £7.4m deferred measurement gain recognised during the year.

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**
Additions (cash contributions)	
Transfer from financial assets (note 1.2)	**(24.1)**
Cash settlement	**(0.4)**
Disposals in year	**(0.4)**
Remeasurement loss recognised in income statement	**(106.0)**
Remeasurement loss recognised in other comprehensive income	**0.3**
Additions – new instruments entered in the year	**11.5**
Deferred day 1 gains on instruments entered in the year	**(11.5)**
Amortisation of day 1 gains in the year	**7.4**
Level 3 financial instrument fair value as at 31 March 2024	**(97.6)**

The following table details the valuation technique, significant unobservable inputs and the range of values for the energy derivatives 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 2024	100.8	Discounted cash flow	Electricity prices, Generation volumes	53 – 147
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
Deferred measurement difference adjustment in the year	9.3
Deferred measurement difference arising during the year on new instruments	11.5
Deferred measurement difference recognised during the year	(7.4)
Deferred measurement difference as at 31 March 2024	413.5

The following table shows the impact on the fair value of the Level 3 energy derivatives when applying reasonably possible alternative assumptions to the valuation obtained using the discounted cash flow model.

	At 31 March 2024		At 31 March 2023	
Assumption	**Increase/ decrease in assumption**	**Effect on fair value of deferred measurement differences £m**	Increase/ decrease in assumption	Effect on fair value of deferred measurement differences £m
Discount rate	**+1%/-1%**	**22.2/(19.9)**	+1%/-1%	(29.5)/35.3
Volumes	**+10%/-10%**	**29.3/(31.3)**	+10%/-10%	39.8/(39.8)
Prices	**+10%/-10%**	**135.7/(135.7)**	+10%/-10%	108.7/(108.7)

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 for the year ended 31 March 2023.

	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.

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	**2024 Carrying amount £m**	**2024 Expected cash flows £m**	**2024 0 – 12 months £m**	**2024 1–2 years £m**	**2024 2–5 years £m**	**2024 > 5 years £m**	2023 Carrying amount £m	2023 Expected cash flows £m	2023 0 – 12 months £m	2023 1–2 years £m	2023 2–5 years £m	2023 > 5 years £m
Interest rate swaps:												
Assets	**19.7**	**21.4**	**7.3**	**5.3**	**8.8**	**–**	25.2	28.1	6.5	5.5	15.8	0.3
Liabilities	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
	19.7	**21.4**	**7.3**	**5.3**	**8.8**	**–**	25.2	28.1	6.5	5.5	15.8	0.3
Cross currency swaps:												
Assets	**71.7**	**72.4**	**51.4**	**1.5**	**19.5**	**–**	178.9	194.0	110.1	56.0	27.9	–
Liabilities	**(57.4)**	**(57.6)**	**(19.3)**	**(23.3)**	**(30.6)**	**15.6**	(37.4)	(30.3)	(17.8)	(17.6)	(10.6)	15.7
	14.3	**14.8**	**32.1**	**(21.8)**	**(11.1)**	**15.6**	141.5	163.7	92.3	38.4	17.3	15.7
Forward foreign exchange contracts:												
Assets	**0.5**	**35.0**	**34.6**	**0.4**	**–**	**–**	2.4	(120.4)	(106.9)	(11.7)	(1.8)	–
Liabilities	**(30.5)**	**(1,340.9)**	**(557.7)**	**(99.8)**	**(647.6)**	**(35.8)**	(11.5)	(337.7)	(292.0)	(42.3)	(3.4)	–
	(30.0)	**(1,305.9)**	**(523.1)**	**(99.4)**	**(647.6)**	**(35.8)**	(9.1)	(458.1)	(398.9)	(54.0)	(5.2)	–

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 (2024: £30.9m gain, 2023: £43.1m loss). Gains and losses on the ineffective portion of the hedge are recognised immediately in the income statement (2024:£nil, 2023: £nil).

COMPANY BALANCE SHEET
AS AT 31 MARCH 2024

	Note	2024 £m	2023 £m (restated*)
Assets			
Equity investments in joint ventures and associates	3	**34.6**	50.4
Loans to joint ventures and associates	3	**69.8**	81.6
Investments in subsidiaries	4	**1,963.6**	1,958.1
Trade and other receivables	5	**10,948.8**	11,382.6
Derivative financial assets	11	**35.7**	48.2
Retirement benefit assets	10	**339.3**	366.6
Non-current assets		**13,391.8**	13,887.5
Trade and other receivables	5	**1,056.1**	1,002.1
Current tax asset	7	**–**	1.4
Cash and cash equivalents	8	**796.9**	788.9
Derivative financial assets	11	**67.3**	167.1
Current assets		**1,920.3**	1,959.5
Total assets		**15,312.1**	15,847.0
Liabilities			
Loans and other borrowings	8	**1,044.5**	1,588.5
Trade and other payables	6	**2,827.2**	2,667.1
Current tax liability	7	**26.3**	–
Financial guarantee liabilities	12	**9.3**	12.2
Provisions	14	**19.7**	5.3
Derivative financial liabilities	11	**32.7**	13.5
Current liabilities		**3,959.7**	4,286.6
Loans and other borrowings	8	**4,561.7**	4,307.8
Deferred tax liabilities	7	**82.5**	78.3
Financial guarantee liabilities	12	**107.3**	125.4
Provisions	14	**200.0**	196.5
Derivative financial liabilities	11	**64.1**	79.2
Non-current liabilities		**5,015.6**	4,787.2
Total liabilities		**8,975.3**	9,073.8
Net assets		**6,336.8**	6,773.2
Equity:			
Share capital	9	**548.1**	547.0
Share premium		**820.1**	821.2
Capital redemption reserve		**52.6**	52.6
Hedge reserve		**17.0**	(3.0)
Retained earnings		**3,016.6**	3,473.0
Equity attributable to ordinary shareholders of the parent		**4,454.4**	4,890.8
Hybrid equity	9	**1,882.4**	1,882.4
Total equity		**6,336.8**	6,773.2

Result for the year

The profit for the year attributable to ordinary shareholders dealt with in the financial statements of the Company was £554.6m (2023: £2,006.4m restated) including dividends received from subsidiaries of £992.6m (2023: £1,669.7m).

* The comparative Company balance sheet and result for the prior year have been restated. See note 1.2.

These financial statements were approved by the Board of Directors on 21 May 2024 and signed on their behalf by

Barry O'Regan
Chief Financial Officer

Sir John Manzoni
Chairman

SSE plc
Registered No: SC117119

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

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 2023 (restated*)	547.0	821.2	52.6	(3.0)	3,473.0	4,890.8	1,882.4	6,773.2
Profit for the year	–	–	–	–	481.5	481.5	73.1	554.6
Other comprehensive income	–	–	–	20.0	(27.7)	(7.7)	–	(7.7)
Total comprehensive income for the year	–	–	–	20.0	453.8	473.8	73.1	546.9
Dividends to shareholders	–	–	–	–	(956.4)	(956.4)	–	(956.4)
Scrip dividend related share issue	1.1	(1.1)	–	–	38.6	38.6	–	38.6
Issue of treasury shares	–	–	–	–	9.2	9.2	–	9.2
Distributions to Hybrid equity holders	–	–	–	–	–	–	(73.1)	(73.1)
Credit in respect of employee share awards	–	–	–	–	20.2	20.2	–	20.2
Investment in own shares(i)	–	–	–	–	(21.8)	(21.8)	–	(21.8)
At 31 March 2024	**548.1**	**820.1**	**52.6**	**17.0**	**3,016.6**	**4,454.4**	**1,882.4**	**6,336.8**

	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 2022	536.5	835.1	49.2	13.3	2,278.3	3,712.4	1,051.0	4,763.4
Impact of adoption of IFRS 17 (see note 1.2)	–	–	–	–	(90.6)	(90.6)	–	(90.6)
At 1 April 2022 (adjusted)	536.5	835.1	49.2	13.3	2,187.7	3,621.8	1,051.0	4,672.8
Profit for the year	–	–	–	–	1,967.6	1,967.6	38.8	2,006.4
Other comprehensive income	–	–	–	(16.3)	(113.7)	(130.0)	–	(130.0)
Total comprehensive income for the year	–	–	–	(16.3)	1,853.9	1,837.6	38.8	1,876.4
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)
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 (restated*)	547.0	821.2	52.6	(3.0)	3,473.0	4,890.8	1,882.4	6,773.2

(i) Investment in own shares is the purchase of own shares less the settlement of Treasury shares for sharesave schemes.
* The comparative Company statement of changes in equity has been restated. See note 1.2.

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 2024 these disclosures continue to be immaterial to the Company's financial statements.

New standards, amendments and interpretations effected or adopted by the Company
On 1 April 2023, the Company adopted IFRS 17 on a modified retrospective basis from the earliest period presented in these financial statements.

The Company provides guarantees in respect of certain activities of subsidiaries, former subsidiaries and to certain current joint venture investments both held directly and indirectly by the Company's subsidiaries. Prior to adoption of IFRS 17, these contracts were designated as insurance contracts under IFRS 4, where existing accounting practices were grandfathered and the contracts were treated as contingent liabilities until such time as it became probable the Company would be required to make payment to settle the obligation. The adoption of IFRS 17 from 1 April 2022 resulted in a reassessment of these contracts and the Company elected to apply the valuation principles of IFRS 9 to these contracts. Adoption resulted in the recognition of financial guarantee liabilities of £140.6m; a £50.0m increase in investments; and a £90.6m adjustment to retained earnings. In the year to 31 March 2023, the Company recognised a decrease in financial guarantee liabilities of £3.0m; an increase in investments of £4.0m and net income statement credit of £7.0m.

During the financial year to 31 March 2024, the Company recognised a net decrease in financial guarantee liabilities of £21.0m, a reduction in the value of its subsidiary investments of £16.6m and a net income statement credit of £4.4m.

The Company provides guarantees of £10.4bn (2023: £10.4bn) to certain subsidiaries, in order to maintain the stand-alone credit ratings and to support licence conditions. These contracts are out of scope for IFRS 17 and IFRS 9 and are accounted for under IAS 37.

There were no other standards, amendments to standards or interpretations relevant to the Company's operations which were adopted during the year.

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 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 A1.2 and A6)
- Financial guarantee liabilities (Supplementary information A1.2)

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 (2023: £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 (2023: 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 158 to 180. 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

	2024			2023		
	Equity £m	**Loans £m**	**Total £m**	Equity £m	Loans £m	Total £m
Share of net assets/cost						
At 1 April	**50.4**	**81.6**	**132.0**	12.7	129.2	141.9
Additions	**30.0**	**47.7**	**77.7**	19.5	15.8	35.3
Transfers	**–**	**–**	**–**	50.0	(50.0)	–
Repayment of shareholder loans	**–**	**(13.4)**	**(13.4)**	–	(13.4)	(13.4)
Impairment	**(45.8)**	**(46.1)**	**(91.9)**	(31.8)	–	(31.8)
At 31 March	**34.6**	**69.8**	**104.4**	50.4	81.6	132.0

The impairment recognised in the year related to the equity investment in Neos Networks Limited. The transfer in the prior year related to a Neos Network Limited debt for equity swap of £50.0m.

4. Subsidiary undertakings

Details of the Company's subsidiary undertakings are disclosed in the Accompanying Information section (A3).

Investment in subsidiaries

	2024 £m	2023 £m (restated*)
At 1 April	**1,958.1**	1,933.6
Increase/(decrease) in existing investments(i)	**22.1**	20.5
Investment (decrease)/increase in respect of financial guarantees(ii)	**(16.6)**	4.0
At 31 March	**1,963.6**	1,958.1

(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 (2024: £22.1m; 2023: £20.7m (both before tax)).
(ii) The investment (decrease)/increase in respect of financial guarantees relates to £19.6m (2023: £12.0m) of unwind and expiry of guarantee contracts, less £3m (2023: £16.0m) for the fair value of fees receivable on guarantees granted to subsidiary investments during the year.
* The comparative has been restated see note 1.2.

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 2024 the Company assessed its exposure to expected credit losses on related party receivables under IFRS 9 and held a provision against future losses of £59.2m (2023: £137.8m).

During the year ended 31 March 2024 the Company waived £624m (2023: £nil) of intercompany funding receivables due from other SSE Group companies, with the related charge being expensed in the income statement.

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 liability/(asset)

	2024 £m	2023 £m
Corporation tax liability/(asset)	**26.3**	(1.4)

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 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
Charge to income statement	**3.3**	**2.5**	**–**	**5.8**
Charge/(credit) to other comprehensive income/(loss)	**5.9**	**(9.3)**	**–**	**(3.4)**
Charge to equity	**–**	**–**	**1.8**	**1.8**
At 31 March 2024	**1.6**	**84.8**	**(3.9)**	**82.5**

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:

	2024 £m	2023 £m
Deferred tax liabilities	**86.8**	92.1
Deferred tax assets	**(4.3)**	(13.8)
Net deferred tax liability	**82.5**	78.3

The deferred tax assets/liabilities disclosed include the deferred tax relating to the Company's pension scheme liabilities.

8. Loans and borrowings

Current	2024 £m	2023 £m
Other short-term loans	**1,044.5**	1,588.5
	1,044.5	1,588.5
Non-current		
Loans	**4,561.7**	4,307.8
	4,561.7	4,307.8
Total loans and borrowings	**5,606.2**	5,896.3
Cash and cash equivalents	**(796.9)**	(788.9)
Unadjusted Net Debt	**4,809.3**	5,107.4
Add:		
Hybrid equity (note 9)	**1,882.4**	1,882.4
Adjusted net debt and hybrid capital	**6,691.7**	6,989.8

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 2024 there was £840m commercial paper outstanding (2023: £919m).

During the year to 31 March 2024 SSE plc issued an 8 year €750m Green Bond at a coupon of 4.0%. The bond has been left in Euros as a net investment hedge for the Group's Euro denominated subsidiaries. In the year, SSE plc also redeemed US Private Placement debt of combined £155.0m and a €700m Eurobond with coupon at 1.75%.

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 2024 these facilities were undrawn (2023: undrawn).

8. Loans and borrowings continued

8.1. Borrowing facilities continued

Analysis of borrowings

	2024 Weighted average interest rate	2024 Face value £m	2024 Fair value £m	2024 Carrying amount £m	2023 Weighted average interest rate	2023 Face value £m	2023 Fair value £m	2023 Carrying amount £m
Current								
Other short term loans – non-amortising(ii)	5.8%	852.4	855.7	840.4	4.5%	929.4	933.5	919.2
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	–	–	–	–	1.8%	514.6	510.8	514.5
US Private Placement 16 April 2024	4.4%	204.1	257.9	204.1	–	–	–	–
Total current borrowings		1,056.5	1,113.6	1,044.5		1,599.0	1,598.4	1,588.5
Non-current								
Bank loans – non amortising(i)	5.5%	100.0	102.5	100.0	5.3%	100.0	102.4	100.0
US Private Placement 16 April 2024	–	–	–	–	4.4%	204.1	259.6	204.1
1.25% Eurobond repayable 16 April 2025(iv)	1.3%	531.4	518.8	531.4	1.3%	531.4	508.3	531.4
0.875% €600m Eurobond repayable 8 September 2025(viii)	0.9%	513.0	493.0	512.2	0.9%	527.5	495.3	526.2
US Private Placement 8 June 2026	3.1%	64.0	48.7	63.6	3.1%	64.0	59.9	63.5
US Private Placement 6 September 2026	3.2%	247.1	242.1	245.6	3.2%	247.1	257.4	245.0
US Private Placement 6 September 2027	3.2%	35.0	25.9	34.7	3.2%	35.0	31.7	34.7
1.375% €650m Eurobond repayable 4 September 2027(v)(viii)	1.4%	591.4	553.7	590.7	1.4%	591.4	545.8	590.5
8.375% Eurobond repayable on 20 November 2028	8.4%	500.0	573.3	498.1	–	–	–	–
Between two and five years		2,581.9	2,558.0	2,576.3		2,300.5	2,260.4	2,295.4
8.375% Eurobond repayable on 20 November 2028	–	–	–	–	8.4%	500.0	575.0	497.6
2.875% Eurobond repayable on 1 August 2029(viii)	2.9%	555.7	543.3	554.3	2.9%	571.5	548.3	569.8
1.750% Eurobond repayable 16 April 2030(vi)	1.8%	442.9	403.5	442.9	1.8%	442.9	388.1	442.9
6.25% Eurobond repayable on 27 August 2038	6.3%	350.0	386.3	347.7	6.3%	350.0	372.0	347.5
4.00% €750m Eurobond repayable 5 September 2031(vii) (viii)	4.0%	641.2	661.7	639.6	–	–	–	–
Over five years		1,989.8	1,994.8	1,984.5		1,864.4	1,883.4	1,857.8
Fair value adjustment(iii)				0.9				154.6
Total non-current borrowings		4,571.7	4,552.8	4,561.7		4,164.9	4,143.8	4,307.8
Total borrowings		5,628.2	5,666.4	5,606.2		5,763.9	5,742.2	5,896.3

(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 (£840m of Commercial Paper outstanding at 31 March 2024).
(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 1.250% €600m Eurobond maturing 16 April 2025 has been swapped to Sterling giving an effective interest rate of 2.43%.
(v) The 1.375% €650m Eurobond maturing 4 September 2027 has been swapped to Sterling giving an effective interest rate of 2.56%.
(vi) The 1.750% €500m Eurobond maturing 16 April 2030 has been swapped to Sterling giving an effective interest rate of 2.89%.
(vii) The 4.0% €750m Eurobond maturing 5 September 2031 has been left in Euros as a net investment hedge for the Group's Euro denominated subsidiaries.
(viii) 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 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
Issue of shares[(i)]	**2.3**	**1.1**
At 31 March 2024	**1,096.2**	**548.1**

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 67.7p per ordinary share (in relation to year ended 31 March 2023) and the interim dividend of 20.0p (in relation to the current year) under the terms of the Company's scrip dividend scheme. This resulted in the issue of 1,779,529 and 493,654 new fully paid ordinary shares respectively (2023: 18,241,941 and 9,413,103). In addition, the Company issued 0.8m (2023: 1.9m) 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 £9.2m (2023: £18.0m).

(ii) Under the share buyback programme announced in the year to 31 March 2023, 6.9m of shares were repurchased and cancelled 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. The scrip dividend take-up for the financial year ended 31 March 2023 was 18.0%, which is below the 25.0% required by the share buyback programme, therefore there have been no share buybacks in the current financial year ended 31 March 2024.

Of the 1,096.2m shares in issue, 2.8m 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 1.3m shares for a total consideration of £21.8m (2023: 1.4m shares, consideration of £23.4m) to be held in trust for the benefit of employee share schemes. At 31 March 2024, the trust held 6.9m shares (2023: 6.5m) which had a market value of £113.9m (2023: £118.0m).

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

	2024 £m	2023 £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**	831.4
	1,882.4	1,882.4

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		Net pension asset	
		2024 £m	2023 £m	**2024 £m**	2023 £m
Scottish Hydro Electric	Defined benefit	**(37.1)**	(152.0)	**339.3**	366.6
Net actuarial loss		**(37.1)**	(152.0)	**339.3**	366.6

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 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.

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 2024 was equal to £339.3m (2023: £366.6m).

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%

Other matters

On 16 June 2023 the High Court issued a ruling in respect of Virgin Media v NTL Pension Trustees II Limited (and others) calling into question the validity of rule amendments made to defined benefit pension schemes contracted-out on a Reference Scheme Test basis between 6 April 1997 and 5 April 2016. Amendments to these pension schemes over this time required confirmation from the Scheme Actuary that the Reference Scheme Test would continue to be met. In the absence of such a confirmation, the Rule amendment would be void. This ruling could have wide ranging implications for many UK pension schemes and will be subject to an Appeal in 2024.

The Trustees of the Scottish Hydro Electric Pension Scheme have not performed a detailed assessment over the impact of this ruling. The Trustees believe it is appropriate to await the outcome of the Appeal process in 2024 before taking any further action, and the Company supports their position. Due to the uncertainty, it is not possible to assess the potential impact of the Virgin Media High Court ruling on the Scottish Hydro Electric Pension Scheme.

10.1. Pension scheme assumptions

The scheme has been updated to 31 March 2024 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 2024	At 31 March 2023
Rate of increase in pensionable salaries	**3.4%**	3.5%
Rate of increase in pension payments	**3.1%**	3.2%
Discount rate	**4.8%**	4.8%
Inflation rate	**3.1%**	3.2%

The assumptions relating to longevity underlying the pension liabilities at 31 March 2024 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 2024 Male	At 31 March 2024 Female	At 31 March 2023 Male	At 31 March 2023 Female
Currently aged 65	**22**	**24**	22	24
Currently aged 45	**24**	**26**	24	26

The impact on the scheme's liabilities of changing certain of the major assumptions is as follows:

	At 31 March 2024		At 31 March 2023	
	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%	+/-0.7%
Discount rate	**0.1%**	**+/-0.7%**	0.1%	+/-0.7%
Longevity	**1 year**	**+/-2.0%**	1 year	+/-1.9%

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 funding 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 2024 £m	Quoted £m	Unquoted £m	Value at 31 March 2023 £m
Equities	**30.7**	**–**	**30.7**	34.3	–	34.3
Government bonds	**333.5**	**–**	**333.5**	441.8	–	441.8
Insurance contracts	**–**	**500.3**	**500.3**	–	532.4	532.4
Other investments	**464.1**	**–**	**464.1**	381.0	–	381.0
Total fair value of plan assets	**828.3**	**500.3**	**1,328.6**	857.1	532.4	1,389.5
Present value of defined benefit obligation			**(989.3)**			(1,022.9)
Surplus in the scheme			**339.3**			366.6
Deferred tax thereon[i]			**(84.8)**			(91.7)
Net pension asset			**254.5**			274.9

(i) Deferred tax is recognised at 25% (2023: 25%) on the surplus

10. Retirement benefit obligations continued

10.3. Movements in the defined benefit assets and obligations during the year:

	2024			2023		
	Assets £m	Obligations £m	Total £m	Assets £m	Obligations £m	Total £m
At 1 April	**1,389.5**	**(1,022.9)**	**366.6**	1,921.0	(1,403.5)	517.5
Included in income statement						
Current service cost	**–**	**(7.3)**	**(7.3)**	–	(11.1)	(11.1)
Past service cost	**–**	**(1.4)**	**(1.4)**	–	(2.8)	(2.8)
Interest income/(cost)	**64.7**	**(47.2)**	**17.5**	51.0	(37.0)	14.0
	64.7	**(55.9)**	**8.8**	51.0	(50.9)	0.1
Included in other comprehensive income						
Actuarial (loss)/gain arising from:						
Demographic assumptions	**–**	**13.4**	**13.4**	–	23.3	23.3
Financial assumptions	**–**	**14.1**	**14.1**	–	416.9	416.9
Experience assumptions	**–**	**3.7**	**3.7**	–	(74.2)	(74.2)
Return on plan assets excluding interest income	**(68.3)**	**–**	**(68.3)**	(518.0)	–	(518.0)
	(68.3)	**31.2**	**(37.1)**	(518.0)	366.0	(152.0)
Other						
Contributions paid by the employer	**1.0**	**–**	**1.0**	1.0	–	1.0
Benefits paid	**(58.3)**	**58.3**	**–**	(65.5)	65.5	–
	(57.3)	**58.3**	**1.0**	(64.5)	65.5	1.0
Balance at 31 March	**1,328.6**	**(989.3)**	**339.3**	1,389.5	(1,022.9)	366.6

10.4. Pension scheme contributions and costs

Charges/(credits) recognised:

	2024 £m	2023 £m
Current service cost (charged to operating profit)	**7.3**	11.1
Past service cost	**1.4**	2.8
	8.7	13.9
Charged/(credited) to finance costs:		
Interest from pension scheme assets	**(64.7)**	(51.0)
Interest on pension scheme liabilities	**47.2**	37.0
	(17.5)	(14.0)

The return on pension scheme assets is as follows:

	2024 £m	2023 £m
Return on pension scheme assets	**(3.6)**	(467.0)

Unfunded Unapproved Retirement Benefit Scheme ("UURBS") pension costs

The decrease in the year in relation to UURBS was £6.1m (2023: decrease of £8.9m). 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.

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:

	2024 £m	2023 £m
Derivative Assets		
Non-current	35.7	48.2
Current	67.3	167.1
Total derivative assets	103.0	215.3
Derivative Liabilities		
Non-current	(64.1)	(79.2)
Current	(32.7)	(13.5)
Total derivative liabilities	(96.8)	(92.7)
Net asset/(liability)	6.2	122.6

Information on the Group's Financial risk management and the fair value of financial instruments is available at A6 and A7

12. Financial guarantee liabilities

	2024 £m	2023 £m
Non-current liabilities		
Financial guarantee liabilities	107.3	125.4
Current liabilities		
Financial guarantee liabilities	9.3	12.2
Total financial guarantee liabilities	116.6	137.6

SSE plc has provided guarantees in respect of certain activities of subsidiaries, former subsidiaries and to certain current joint venture investments both held directly and indirectly by the Company's subsidiaries with carrying values as follows:

	2024				2023
	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
Financial guarantee liabilities	77.9	27.2	11.5	116.6	137.6

On 1 April 2023, the Company adopted IFRS 17 'Insurance Contracts' on a modified retrospective basis from the earliest period presented in these financial statements.

Where the Company issued financial guarantee contracts to guarantee indebtedness of the other companies within its Group, prior to adoption of IFRS 17, the Company considered these contracts to be insurance arrangements, and accounted for them as such.

In this respect, the contracts were treated as contingent liabilities until such time as it became probable the Company would be required to make payment to settle the obligation.

On transition to IFRS 17, the Company elected to apply IFRS 9 "Financial Instruments" to these financial guarantee contracts, as available under the transition arrangements of the new standard and they are valued on initial recognition and subsequently measured at the higher of the loss allowance for expected credit loss and the initial value less any income recognised.

The Company provided a new guarantee with a value of £3.3m on behalf of its joint ventures Saltend Cogeneration Company Limited and Indian Queens Power Limited, replacing a previous guarantee with a value of £15.4m and a guarantee with a value of £5.0m on behalf of SSE Renewables Developments (UK) Limited in relation to Seagreen Wind Energy Limited expired.

Additionally, the Company continues to provide a guarantee to Group Trustee Independent Trustees in respect of SSE Southern 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 continues to provide 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.

13. Commitments and contingencies

Guarantees, indemnities and other contingent liabilities

Internal guarantees

The Company has in issue perpetual and long term guarantees of £10.4bn (2023: £10.4bn) in order to maintain the stand-alone credit ratings of certain subsidiaries and to support electricity distribution licence conditions. These guarantees are not expected to be called.

Letters of credit

The Company indemnifies letters of credit issued to the following:

	2024 £m	2023 £m
UK subsidiaries and certain joint ventures	849.9	739.3
European subsidiaries and certain joint ventures	119.7	119.4
Former UK subsidiaries	189.3	22.7
	1,158.9	881.4

Letters of credit in substitution of cash collateral

The Company provides standby letters of credit in substitution for cash covering initial and delivery margins for exchange traded products and is repayable on demand. As at 31 March 2024, there were letters of credit covering £100.0m (2023: £nil) of initial and variation margins.

Subsidiaries have provided guarantees on behalf of the Company as follows:

	2024 £m	2023 £m
Bank borrowings	656.0	811.6

14. Provisions

	Decommissioning £m	Legal and restructuring £m	Total £m
At 31 March 2022	249.4	77.5	326.9
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
Increase in decommissioning provision	**9.9**	**–**	**9.9**
Unwind of discount	**8.9**	**–**	**8.9**
Utilised during the year	**(0.5)**	**(0.4)**	**(0.9)**
At 31 March 2024	**219.7**	**–**	**219.7**
At 31 March 2024			
Non-current	**200.0**	**–**	**200.0**
Current	**19.7**	**–**	**19.7**
	219.7	**–**	**219.7**
At 31 March 2023			
Non-current	196.5	–	196.5
Current	4.9	0.4	5.3
	201.4	0.4	201.8

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 through its subsidiary RockRose Energy Limited on 14 October 2021, the Company agreed to retain 60% of the decommissioning provision within the business. £9.9m (2023: £50.5m released) has been added to decommissioning during the current year due to reassessment, movements in inflation and discounting assumptions. It is expected that the costs associated with decommissioning of these Gas Production assets will be incurred between 2024 and 2040.

Legal and restructuring provisions

The Company holds provisions related to reorganisation of the Group and certain provisions arising on disposal of subsidiaries or investments. The 31 March 2023 provision was fully utilised in the current 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 2024 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 2024 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 March 2024	
Consolidated statement of comprehensive income for the year then ended	
Consolidated balance sheet as at 31 March 2024	Balance sheet as at 31 March 2024
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 25 and A1 to A8 to the group financial statements, including material accounting policy information	Related notes 1 to 14 to the financial statements including material accounting policy information

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 2025, ensuring the same forecasts are used elsewhere within the group for accounting estimates and that the forecasts reflect the spend to come on the committed part of the NZAP+ 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 2026;
- 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 observation

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.

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.

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 2025.

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 20 components and audit procedures on specific balances for a further 15 components. – The components where we performed full or specific audit procedures accounted for 91% of Adjusted Profit before tax, 99% of Revenue and 90% of Total assets.
Key audit matters	– Impairment of specific non-current assets – Group and parent pension obligation – Accounting for estimated revenue recognition – Business Energy Evolve system transition
Materiality	– Overall group materiality of £115.3m which represents 5% of 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.

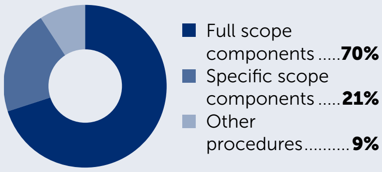
In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 252 (2023: 220) reporting components of the group, we selected 35 (2023: 38) components covering entities within the UK and Ireland, which represent the principal business units within the group.

Of the 35 components selected, we performed an audit of the complete financial information of 20 (2023: 19) components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 15 (2023: 21) 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.

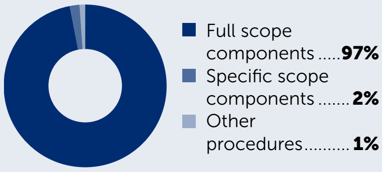
The reporting components where we performed audit procedures accounted for 91% (2023: 95%) of the group's Adjusted profit before tax, 99% (2023: 95%) of the group's Revenue and 90% (2023: 94%) of the group's Total assets. For the current year, the full scope components contributed 70% (2023: 82%) of the group's Adjusted profit before tax, 97% (2023: 94%) of the group's Revenue and 62% (2023: 48%) of the group's Total assets. The specific scope component contributed 21% (2023: 13%) of the group's Adjusted profit before tax, 2% (2023: 1%) of the group's Revenue and 28% (2023: 46%) 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 4 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 217 (2023: 182) components that together represent 9% (2023: 5%) of the group's Adjusted profit before tax, none are individually greater than 1% (2023: 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.

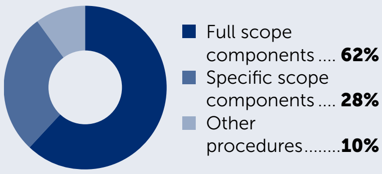
Adjusted profit before tax



Revenue



Total assets



The charts on the left illustrate the coverage obtained from the work performed by our audit teams.

Changes from the prior year

There have been minimal changes in scoping from the prior year, other than Seagreen coming into full scope given it started trading during the year. There were some minor changes to specific scope components 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, or by component auditors from other EY global network firms operating under our instruction. Of the 20 full scope components, audit procedures were performed on 2 of these directly by the primary audit team. For the 18 remaining full scope components and 15 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 second 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. Members of the primary team 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 FY24. Stakeholders are increasingly interested in how climate change will impact SSE plc. SSE operates principally within the UK and Ireland and both are seeking to achieve net zero across their economies by 2050.

SSE 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 104 to 105 in the required Task Force on Climate Related Financial Disclosures and on pages 89 to 90 in the principal risks and uncertainties. These disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited 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, in line with our responsibilities on "Other information". As described in note 4, the financial statement impact of climate is considered to have most impact on the valuation of property, plant and equipment impairment assessment of goodwill, valuations of decommissioning provisions, defined benefit schemes and going concern and viability statement.

In planning and performing our audit we assessed the potential impacts of climate change on the group's business and any consequential material impact on its financial statements.

The group has explained in their Basis of Preparation how they have reflected the impact of climate change in their financial statements including where assumptions applied align with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050.

Significant judgements and estimates relating to climate change are included in note 4.

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 NZAP + 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 and going concern 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 104 to 105 have been appropriately reflected within the going concern cashflows, 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 FY24 as in the previous year 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 98 to 105. 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 102 to 105.

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.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the following key audit matters: Impairment of specific non-current assets. Details of the impact, our procedures and findings are included in our explanation of key audit matters below.

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

Impairment of specific non-current assets (Impairment charge £212.7m; Impairment reversal 2023: £63.5m)

Refer to the Audit Committee Report (page 147); Accounting policies – significant judgements (page 209); and Note 15 of the Consolidated Financial Statements (page 241)

Thermal power plants and gas storage assets

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 power stations: Peterhead, Keadby, Keadby 2, Medway, Marchwood, Great Island CCGT and Triton assets and Gas Storage facilities (Atwick and Aldbrough).

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.

Renewables developments

We have expanded the impairment significant risk to also include the risk of impairment in the SSE Pacifico and SSE Southern Europe goodwill and intangible development assets valuations. This has been included due to the early stages of development and passage of time from the acquisition date and the high sensitivity of models to changes in key assumptions.

For SSE Pacifico, the key assumptions include pricing for revenue support contracts, generation volumes, the proportion of external funding achievable, discount rate and projected probability of success. For SSE Southern Europe, the key assumptions are discount rate, generation volume and the development probability of success.

Our response to the risk

Scoping:

Testing was performed over this risk area, covering both full and specific scope components (covering nine 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.

Thermal power plants and gas storage assets

We considered prior period impairments for indication of reversal. This involved considering indicators of reversal, focussed on demand, load factors and prices.

We involved two EY specialists in our assessment: a discount rate specialist and a specialist with industry 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 useful life extensions and reviewed the extensions to contracted power contracts.

We assessed 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 observations communicated to the Audit Committee

Thermal power plants and gas storage assets

We confirmed that the impairment charge of £134.1m recognised for Gas Storage assets and the charge of £63.2m in the Triton investment were appropriate. Gas Storage impairment was driven predominantly by market conditions and a significant decline in gas prices in the period, reflecting prices returning to normal following a period of high volatility. The Triton investment is carried at fair value and highly sensitive to changes in prices. Market prices have declined from their peak at the date of acquisition.

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). We also communicated that certain aspects of the pricing were deemed to be optimistic compared to the EY view, however still within our acceptable range.

We also noted that we are satisfied with the adequacy of disclosure within the group financial statements including climate related disclosures.

Renewables developments

We confirmed that the impairment charge of £15.4m recognised for SSE Southern Europe was appropriate, with no impairment charge recorded for SSE Pacifico, which we also concluded was appropriate.

While our sensitivities applied supported the remaining headroom on both CGUs, we note that both are highly sensitive to incremental changes in assumptions which could extinguish headroom.

We also noted that we are satisfied with the adequacy of disclosure within the group financial statements including climate related disclosures.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of specific non-current assets (Impairment charge £212.7m; Impairment reversal 2023: £63.5m) continued	**Renewables developments** We considered the infancy of the Japanese renewable market in our SSE Pacifico considerations, and due to this, the model is highly sensitive to the key assumptions. 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 with updates to underlying assumptions, to reflect changes in the market and the projects since the acquisition. We involved two EY specialists in our assessment: a discount rate specialist and a specialist with experience of assessing forward prices in the overseas market. We consulted with colleagues in Japan, with deep experience of the renewables sector. 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 applied sensitivities to management's models to evaluate headroom. For SSE Pacifico, this included sensitivities relating to discount rate, fixed prices, volumes and financing costs. For SSE Southern Europe, this included sensitivities relating to discount rate, merchant exposure, volumes and probability of success of each project. **Key assumptions:** Using our sector experience and our specialists we benchmarked to industry sources, where appropriate, the directors' judgement on the key assumptions. For Thermal assets, this included future power prices, power volatility, forecast power demand, carbon prices, load factors, discount rate, useful economic life and operating expenditure. For SSE Pacifico, this included revenue support contract price, generation volumes, the proportion of external funding achievable, discount rate and projected probability of success. For SSE Southern Europe this included non-contract revenue price, discount rate, generation volume and the development probability of success. 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 impairment booked.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Group and parent pension obligation (2024: £421.6m surplus, 2023: £541.1m surplus) *Refer to the Audit Committee Report (page 147); Accounting policies – significant judgements (page 209); and Note 23 of the group financial statements (page 264)* **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. 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.	**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. **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. **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 within our independently determined range. We are satisfied with the adequacy of disclosure within the financial statements.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Accounting for estimated revenue recognition **Unbilled energy income (2024: £663.7m, 2023: £666.1m)** *Refer to the Audit Committee Report (page 147); Accounting policies – significant judgements (page 209); and Note 18 of the group financial statements (page 253)* **Subjective estimate:** 62% of the unbilled revenue 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. There is elevated estimation complexity in the current year due to the increase in the operational backlog on billing as a result of the Evolve billing system migration. 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.	**Scoping:** This balance relates to one component, Business Energy. Testing was performed covering 100% of the unbilled balance in GB Business Energy which accounts for 62% of the unbilled balance at 31 March 2024. Unbilled energy income in Airtricity 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 team 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 2023 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, 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 final settlement volumes. 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. We have obtained and tested post year end billings. We estimated the impact on bills still to come as a result of operational billing delays, considering unbilled MPAN's (Meter Point Administration Number) and apportioning volumes of the day sales outstanding and price to estimate expected billing. **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, 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. **Evolve system migration:** We have understood the reporting from the Evolve system which support the unbilled estimate and performed integrity testing. Full details of work performed around the billing system migration is disclosed within the subsequent KAM. **Disclosure:** We assessed the adequacy of the group's disclosures about the degree of estimation and judgement involved in arriving at the estimated revenue.	In performing our procedures we independently calculated an estimated range for accrued income of £408m – £413m with SSE's position 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 is appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Business Energy Evolve system transition *Refer to the Audit Committee Report (page 147)* We have introduced a new KAM relating to the transition from CS Live to the new Evolve billing system within Business Energy during the current year. Our risk focused on the completeness and accuracy of the migrated data and the whether the IT General Controls underpinning the new system were designed and operating effectively over the reliance period. Impacts of the system migration on unbilled revenue calculations have been separately considered within the unbilled KAM.	**Scoping:** The data migration audit testing has been performed by the Business Energy component, alongside support from the IT audit team. All audit work in relation to this key audit matter was undertaken by the component audit team with oversight from the group audit team. **Data Migration** We understood management's approach for the data migration and review procedures performed by internal audit. We performed each of the following procedures for each tranche of customer data migrations throughout the year: – Obtained management's reconciliations of the data points and retested the reconciliations over all relevant customer data verifying the CS Live input to the final Evolve extracts. – Performed specific integrity testing over the input reports in excel back to the CS Live system. – Performed specific integrity testing over new and existing customers from CS Live to Evolve. **IT General Controls (ITGCs)** We assessed the design and operating effectiveness of Evolve ITGCs, focussing on change management, manage access and IT general operations. We concluded on controls reliance over ITGCs from 1 September 2023 to 31 March 2024, with only £7m of billings raised in the system prior to 1 September. Separate integrity testing has been performed over these billings prior to ITGC reliance. We tested the controls and access throughout the "hypercare" period (a period of heightened support after a system implementation). We understood and tested key automated controls over billed receivables to cash receipts business processes and augmented with substantive testing where there was not evidence of the controls operating throughout the period. We confirmed appropriate report configuration as used in our testing and performed integrity testing over each key report relied upon for financial reporting purposes. **Impact on audit approach:** We performed detailed walkthroughs with management over changes to their revenue and debtors' processes as a result of the new Evolve system. We understood the impact this has on key estimates and judgements, including unbilled revenue and bad debt provisioning.	We are satisfied with the completeness and accuracy of the data migrations between the CS Live and Evolve systems with no material findings arising. Testing evidenced ITGC in operation, upon which we relied from 1 September 2023, with additional integrity procedures performed over billings of £7m in the period from 31 March 2023 to 31 August 2023.

In the current year, we have included a new KAM on the Business Energy Evolve system transition, given the level of audit effort and focus required in this year during year ended 31 March 2024.

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 £115.3m (2023: £85.2m), which is 5% (2023: 5% of normalised adjusted profit before tax) of 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 in the prior year we used normalised profit before tax, as we believed it provided us with a consistent measure of underlying year-on-year performance as it excluded 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. Given the volatility has settled this year, we returned to our previous measure of adjusted profit before tax.

We determined materiality for the Parent Company to be £127.1m (2023: £137.1m), which is 2% (2023: 2%) of net assets. The materiality has been capped at the group materiality of £115.3m.

Starting basis	– Profit before tax – **£2,495.1m**
Adjustments	– Movement on operating and financing derivatives – **(£513.5m)** – Non-recurring exceptional items – **£266m** – JV Tax – **£58.8m**
Materiality	– Totals **£2,306.4m** adjusted profit before tax – Materiality of **£115.3m** (5% of materaility basis)

During the course of our audit, we reassessed initial materiality and amended it for final adjusted profit before tax figures.

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% (2023: 75%) of our planning materiality, namely £86.5m (2023: £63.9m). We have set performance materiality at this percentage due to a low number and value of corrected and uncorrected misstatements in the prior year audit.

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 £12.8m to £30.2m (2023: £8.9m to £21.0m).

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 £5.8m (2023: £4.3m), 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 187, including the strategic report and the directors' report (Governance section) set out on pages 1 to 109 and 110 to 187 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 65
- 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 109;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 187;
- Directors' statement on fair, balanced and understandable set out on page 146;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 86 to 95;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 150; and;
- The section describing the work of the audit committee set out on page 144.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 187, 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.

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 5 years, covering the years ending 31 March 2020 to 31 March 2024.
- 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
21 May 2024

SSE CONSOLIDATED SEGMENTAL STATEMENT
FOR THE YEAR ENDED 31 MARCH 2024

Year ended 31 March 2024	Unit	Electricity supply Non-domestic	Gas supply Non-domestic	Aggregate Supply business
Total revenue	£m	**2,862.9**	**330.1**	**3,193.0**
Sales of electricity and gas	£m	**2,857.1**	**326.7**	**3,183.8**
Other revenue	£m	**5.8**	**3.4**	**9.2**
Total operating costs	£m	**2,826.2**	**261.2**	**3,087.4**
Direct fuel costs	£m	**1,486.7**	**165.4**	**1,652.1**
Transportation costs	£m	**565.8**	**41.4**	**607.2**
Environmental and social obligation costs	£m	**532.1**	**(0.6)**	**531.5**
Other direct costs	£m	**10.9**	**1.9**	**12.8**
Indirect costs	£m	**230.7**	**53.1**	**283.8**
EBITDA	£m	**36.7**	**68.9**	**105.6**
Depreciation and amortisation	£m	**6.4**	**1.2**	**7.6**
EBIT	£m	**30.3**	**67.7**	**98.0**
Volume	TWh/ mTherms	**10.7**	**167.5**	**–**
WACOE/G	£/MWh/p/th	**139.0**	**98.8**	**–**
Customer numbers	'000s	**335.7**	**60.9**	**396.6**

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	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, and 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 Energy Markets and in Ireland is sold to SSE 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	The generation of electricity from thermal plants including CCGTs 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 Energy Markets 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.

Business Area	Reported Segments	Description
Energy Customer Solutions	SSE Business Energy (covered by CSS)	The supply of electricity and gas to business customers in Great Britain and smart buildings (BEMS) activity. 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.
	SSE 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.
SSE Enterprise	SSE Enterprise	The provision of low carbon energy solutions to customers; behind-the-meter solar and battery solutions, EV charging activities, private electric networks and heat and cooling networks. During the year, smart buildings (BEMS) activity was transferred to SSE Business Energy.
SSE Energy Markets	SSE Energy Markets	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.

Amendments to licence conditions became effective from 29 March 2024, removing the financial reporting provisions relating to Ofgem's Standard condition 16B of Electricity Generation licence. The Group's Electricity Generation reported segments, SSE Renewables and SSE Thermal, which were previously reported in the Consolidated Segmental Statement ('CSS') are therefore not included in the Group's CSS for the year ended 31 March 2024.

The modified financial reporting requirements are still applicable to the Group's electricity and gas supply businesses included in the Group's 'SSE Business Energy' reporting segment as noted above. This reporting operating segment is substantially aligned to 'SSE Business Energy' as reported in the 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 non-domestic electricity and gas supply business ("SSE Business Energy" segment described above) in Great Britain. The paragraphs that follow describe how SSE's SSE Business Energy (non-domestic supply) interacts with SSE Energy Markets, which is the Group's energy markets business. The basis of preparation defines the revenues, costs and profits of the business and describes in more detail the transfer pricing arrangements in place for the financial year ended 31 March 2024. The CSS has been prepared on a going concern basis as set out in note A6.3 of SSE plc's Annual Report.

Summary

'SSE 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 SSE Energy Markets.

SSE Energy Markets acts as a counterparty with the external market for the procurement of electricity and gas for SSE Energy Services and SSE Business Energy. SSE Energy Markets 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 SSE Energy Markets are overseen by Energy Markets Risk Committee, whose responsibilities and roles are described on page 152 of SSE Annual Report for the year ended 31 March 2024.

SSE 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. Government Scheme Support (Energy Bills Discount Scheme) of £9.2m is included in 'Other revenue'.

Direct Fuel Costs – SSE Business Energy does not engage in the trading of electricity and gas and procures all of its electricity and gas from SSE Energy Markets. The method by which SSE Energy Markets procures energy is at an arm's length arrangement on behalf of SSE Business Energy, and is governed by SSE Business Energy's forward hedging policy. The forward trades between SSE Business Energy and SSE Energy Markets 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 (weighted average cost of electricity) 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 SSE Business Energy actually acquired its energy. There have been no material changes in the transfer pricing policy in respect of SSE 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 balancing services use of system costs.

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.

Other Direct Costs – include: industry settlement costs, management and market access charges from SSE Energy Markets 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.

SSE 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.

SSE Energy Markets

SSE Energy Markets is responsible for optimising the Group's electricity, gas and other commodity requirements. The hedging activity undertaken by SSE Energy Markets is governed by the Group's Energy and Markets Risk Committee.

Business Functions

The business functions in SSE have already been described in this document. The column headed 'Other' principally relates to SSE Energy Markets.

Business function	Note	Generation (not covered by CSS)	Supply (covered by CSS)	Other (not covered by 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 Energy Markets implements the hedging policy determined by the Energy Markets Risk Committee on behalf of SSE 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 SSE Business Energy and SSE Energy Services (expressed at NBP) was 11.5TWh and the total UK Generation output was 18.7TWh (61%).
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.

Reconciliation of CSS to SSE Financial Statements 2023/24

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
SSE Business Energy			
CSS Supply – SSE Business Energy		3,193.0	98.0
Government support scheme income	1	(9.2)	–
Smart buildings (BEMS) activity	2	47.9	(2.2)
Total SSE Business Energy in SSE Financial Statements		3,231.7	95.8

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.

Notes
1 Income from the Energy Bill Discount Scheme to support non-domestic customers is recognised in 'Other operating income' in the SSE Financial Statements.
2 As noted in the description of operating segments above, smart buildings (BEMS) activity is reported within the SSE Business Energy operating segment in the SSE Financial Statements, but is not in scope for reporting within the CSS.

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.

Opinion

We have audited the Consolidated Segmental Statement financial statements of SSE plc (the Company) for the year ended 31 March 2024, 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 19A of Electricity and Gas Supply Licenses.

In our opinion, the accompanying CSS of the Company for the year ended 31 March 2024 is prepared, in all material respects, in accordance with the requirements of Standard condition 19A of Electricity and Gas Supply Licenses and the basis of preparation on pages 336 to 338.

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 2025.

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 336 to 338 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.

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
21 May 2024

Glossary

AIP
Annual Incentive Plan, a short-term bonus paid to employees

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

COP28
The 28th Conference of Parties climate summit held in Dubai in November 2023

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

EGL2
The planned HVDC undersea transmission link from Peterhead to Yorkshire

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

LOTI
Ofgem's Large Onshore Transmission Investment plan

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, a long-term incentive paid to Executive Directors

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

TRIR
Total Recordable Injury Rate (SSE's preferred measure of safety performance)

TWh
Terawatt-hour

VaR
Value at Risk

WACC
Weighted Average Cost of Capital

Shareholder information

Shareholder enquiries

The Company's register of members is maintained by our appointed Registrar, Computershare Investor Services PLC ("Computershare"). Shareholders with queries relating to their shareholdings should contact Computershare directly at:

Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

Telephone: +44 (0) 345 143 4005

Web: www-uk.computershare.com/investor/#contact/enquiry

Investor Centre

Manage your sharers online at www.sse-shares.com

Shareholders can manage their holdings online using Investor Centre, the free and secure online portal provided by Computershare. It's easy for shareholders to register for Investor Centre by logging on to www.sse-shares.com, entering their Shareholder Reference Number (SRN) which can be found on any recent communications from SSE and their postcode, and following the instructions online. Once registered, shareholders can:

- View, update and calculate the market value of their shareholdings;
- Change address details and dividend payment instructions; and
- View share price data and trading graphs of listed companies.

Website

SSE's website, **sse.com**, provides ease of shareholder access to information about the Company and its performance. It includes a dedicated 'Investors' section where shareholders can find electronic copies of Company reports and a wide range of other information including:

- share price information;
- regulatory news;
- dividend history and trading graphs;
- terms and conditions of the Scrip Dividend Scheme; and
- Registrar contact details.

Digital news

SSE uses a dedicated news and views website (available at www.sse.com/news-and-views) and X (formerly Twitter) (www.twitter.com/sse) to keep shareholders, investors, journalists, employees and other interested parties up-to-date with news from the Company.

It is also possible to sign up to receive email alerts for regulatory news and press releases relating to SSE at www.sse.com/investors/regulatory-news/.

Elect to receive electronic communication today

In line with SSE's commitment to sustainability and for cost efficiency, all new shareholders are automatically registered as opting to access shareholder documentation through the Investors section of our website, meaning shareholders will receive notification, by post, when new relevant documentation has been placed on the website. SSE only sends printed copies of documentation where shareholders specifically request a copy.

Alternatively, shareholders can, and are encouraged to, elect to receive electronic communications from SSE because of the benefits for shareholders, SSE and the environment:

- **Fast access:** shareholders will receive immediate notification by email once shareholder documentation is available online. Documentation cannot get lost or delayed in the post.
- **Cost-effective:** reduced printing and postage costs will save the Company, and therefore its shareholders, money.
- **Environmentally friendly:** using less paper and reducing the environmental impact of printing and delivery of paper documents aligns with SSE's commitment to sustainability.

Shareholders can easily elect to receive electronic communications or change their communication preference on the online Investor Centre, www.sse-shares.com or by contacting Computershare.

Financial calendar

Publication of Annual Report	14 Jun 2024
Q1 Trading Statement	18 Jul 2024
AGM	18 Jul 2024
Ex-dividend date for final dividend	25 Jul 2024
Record date for final dividend	26 Jul 2024
Final date for Scrip elections	22 Aug 2024
Payment date	19 Sept 2024
Notification of Close Period for six months to 30 September	Around 30 Sept 2024
Results for six months to 30 September	13 Nov 2024

Dividend payments direct to your bank account

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. All dividends are credited to a shareholder's nominated UK bank/building society account. Shareholders can register or amend their UK bank/building society account details on the online Investor Centre, www.sse-shares.com, or by contacting Computershare.

Shareholders who do not have a UK bank or building society account, can receive their dividends directly into a bank account outside of the UK using Computershare's International Payment Service (IPS). For further information on IPS please visit www.sse-shares.com or contact Computershare.

Scrip dividend

Shareholders may elect to participate in SSE's Scrip Dividend Scheme (the "Scheme") to receive future dividends in the form of additional new shares. Further details of the Scheme can be found at https://www.sse.com/investors/shareholder-services/dividends-and-scrip-scheme/

Shareholders who elect to participate in the Scheme should also complete a bank mandate to ensure they can receive future dividend payments should they ever withdraw from the Scheme.

Share dealing

Please go to www.computershare.com/dealing/uk for a range of dealing services provided by Computershare. If you would like to speak to the Computershare Dealing Services team directly, please call +44 (0) 370 703 0084.

American Depositary Receipts

SSE has established a sponsored Level I American Depositary Receipt (ADR) program with Deutsche Bank Trust Company Americas (Deutsche Bank). Each ADR represents one SSE Ordinary Share. Further information and Deutsche Bank's contact details can be found at https://www.sse.com/investors/adrs.

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