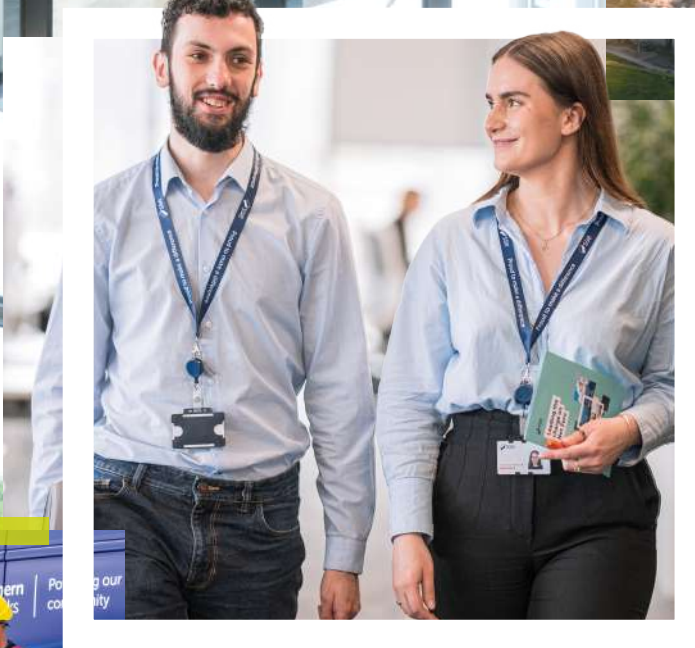




# Risk Informed Decision Making

SSE plc Group Risk Report 2024



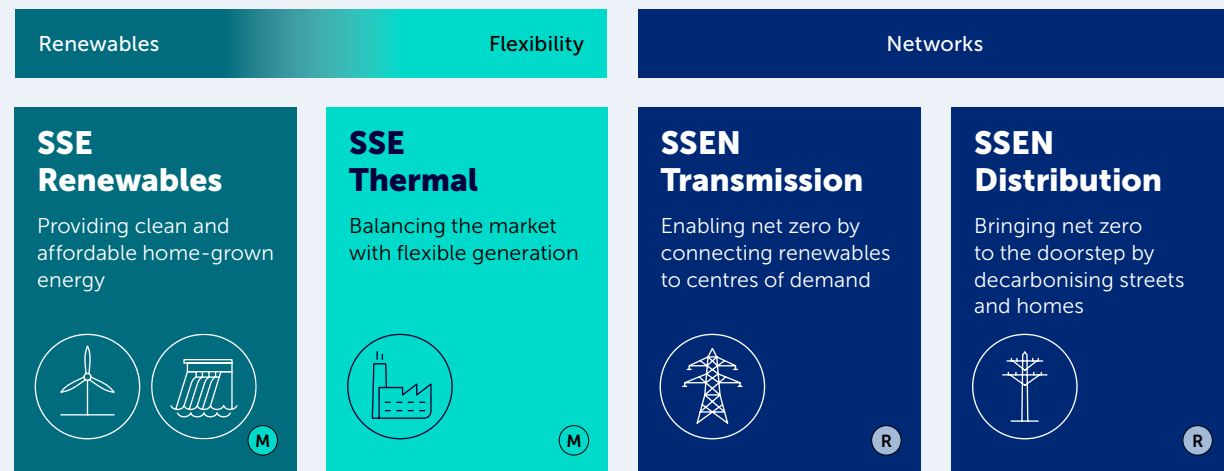
## How we create value

# 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 →



### Energy products and services

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

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

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

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

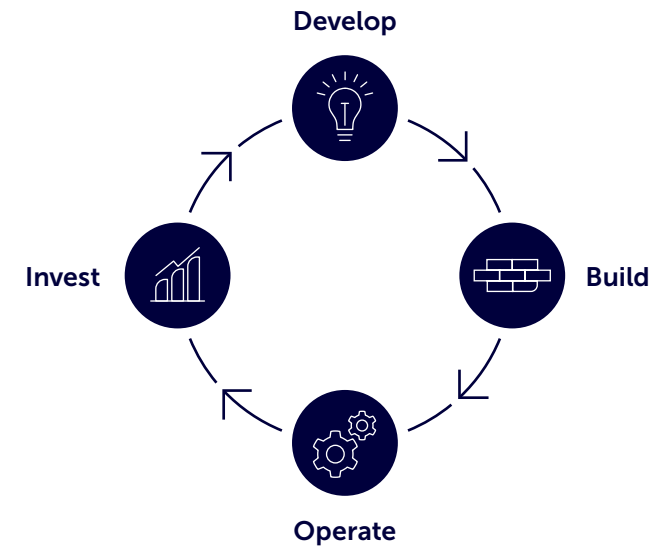
SSE has a very deliberate mix of market-based and economically-regulated businesses that span the clean energy value chain. The Group's synergies and natural hedges, along with our world-class assets and balance sheet strength, enable us to create lasting value in a highly complex operating environment.



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

**£12.2m** Investment in communities

**£2.5bn** Investment in net zero infrastructure

**c5m** Customers served (Networks and supply)

**£5.5bn** Supplier spend

**60p** Dividend (full year)

**£679m/€68m** Taxes paid UK/ROI

**£18bn** Market capitalisation

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



# 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 of the Annual Reports and Accounts](#) 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 6 to 12](#).

## 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 of the Annual Report and Accounts](#) 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.



### 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 of the Annual Report and Accounts](#)) 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 6 to 12](#).

### 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.

Management of risk is key to delivery of SSE's Large Capital Projects



### 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.

### 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 the Annual Report and Accounts) 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 of the Annual Report and Accounts), 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 of the Annual Report and Accounts) 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 of the Annual Report and Accounts).

Scenarios related to physical risks associated with climate change form part of SSE's viability assessment (page 13). 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 of the Annual Report and Accounts) 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.

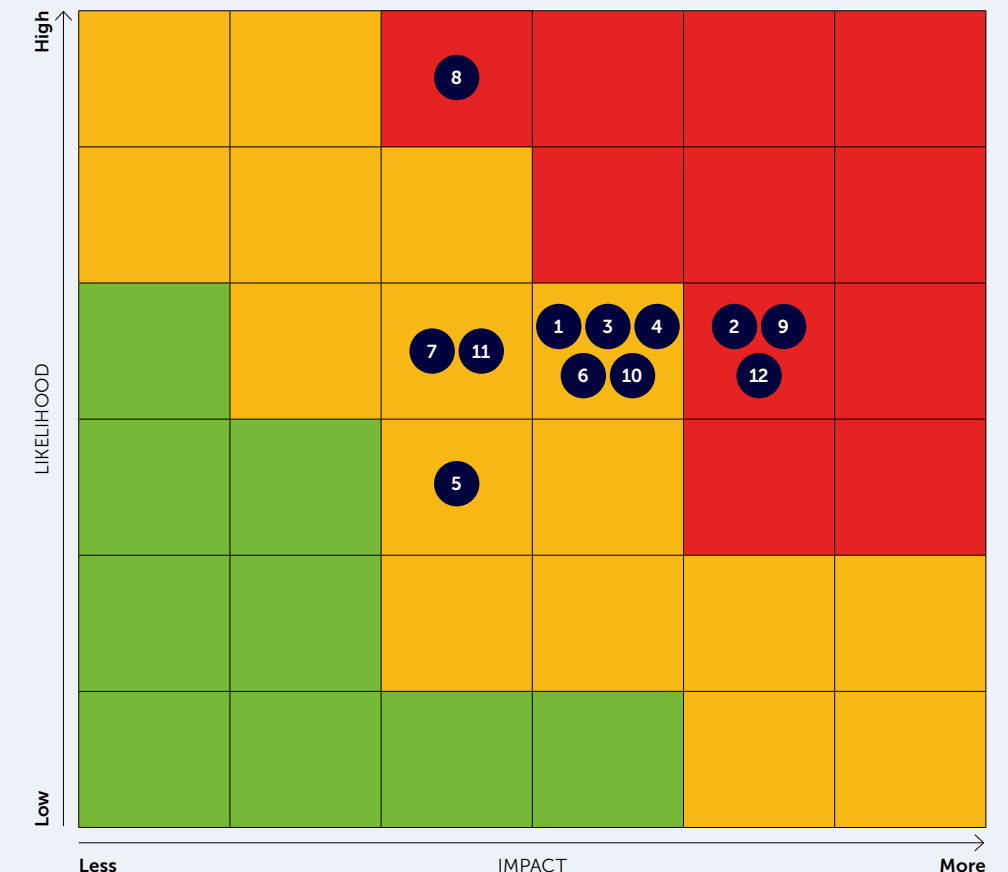
The Principal Risks are mapped below providing insight to the relative impacts and likelihoods of each.

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 6 to 12.

### Principal Risks





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

- Risk trend key**
- ▲ Increased in materiality
  - Not changed significantly
  - ▼ Reduced in materiality
  - N New risk





**Risk trend key:**

-  Increased in materiality
-  Not changed significantly
-  Reduced in materiality
-  New risk

**Link to strategy:**

-  Develop
-  Operate
-  Build
-  Invest

## Climate Change



<b>Risk trend</b>	<b>What is the risk?</b> 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.
	
<b>Link to strategy</b> 	<b>Oversight</b> 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](#) of the [Annual Report and Accounts](#).

- 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](#) of the [Annual Report and Accounts](#).

## Cyber Security and Resilience



<b>Risk trend</b>	<b>What is the risk?</b> The risk that key infrastructure, networks or core systems are compromised or are otherwise rendered unavailable.
	
<b>Link to strategy</b> 	<b>Oversight</b> 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.

## Energy Affordability

<b>Risk trend</b>	<b>What is the risk?</b> 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.
	
<b>Link to strategy</b> 	<b>Oversight</b> 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





<b>Risk trend</b>	<b>What is the risk?</b> 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.
	
<b>Link to strategy</b> 	<b>Oversight</b> 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
-  New risk

**Link to strategy:**

-  Develop
-  Operate
-  Build
-  Invest

## Financial Liabilities

<b>Risk trend</b>	<b>What is the risk?</b> 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.
<b>Link to strategy</b>	<b>Oversight</b> 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

<b>Risk trend</b>	<b>What is the risk?</b> 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.
<b>Link to strategy</b>	<b>Oversight</b> 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 Joint 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.

## People & Culture

<b>Risk trend</b>	<b>What is the risk?</b> 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.
<b>Link to strategy</b>	<b>Oversight</b> 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 of the Annual Report and Accounts](#)
- 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 of the Annual Report and Accounts](#)).
- 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

<b>Risk trend</b>	<b>What is the risk?</b> 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.
<b>Link to strategy</b>	<b>Oversight</b> 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 of the Annual Report and Accounts](#).
- 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
-  New risk

**Link to strategy:**

-  Develop
-  Operate
-  Build
-  Invest

## Portfolio Exposure

<b>Risk trend</b>	<b>What is the risk?</b> 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 <sub>2</sub> permits and oil.
<b>Link to strategy</b>	<b>Oversight</b> 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 of the Annual Report and Accounts](#).
  - 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

<b>Risk trend</b>	<b>What is the risk?</b> The risk of harm to people, property or the environment from SSE's operations.
<b>Link to strategy</b>	<b>Oversight</b> 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.

## Speed of Change

<b>Risk trend</b>	<b>What is the risk?</b> 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.
<b>Link to strategy</b>	<b>Oversight</b> 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 Annual Report and Accounts.
  - 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

<b>Risk trend</b>	<b>What is the risk?</b> 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.
<b>Link to strategy</b>	<b>Oversight</b> 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.



# Viability statement

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

As required within provision 31 of the UK Corporate Governance Code, the Board has formally assessed the prospects of the Company over the next four financial years to the period ending March 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 <sup>1</sup>	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)
	<b>3.50</b>		

<sup>1</sup> 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.





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