SSE plc
AGM 2023

Transcript of meeting proceedings

This is an edited transcript of proceedings at the SSE plc Annual General Meeting held on 20 July 2023 at the Perth Concert Hall. To protect their privacy, names and identifying details of retail shareholders have been withheld.

Welcome

Sir John Manzoni: Good afternoon and thank you for joining us for SSE's 2023 annual general meeting. My name is John Manzoni, your chair, and I'm here in Perth with my fellow directors and, for the second time, our AGM is being held as a combined physical and electronic meeting, with those joining via the online platform, able to watch proceedings, ask questions, and vote in real time.

Introducing the Board

I'm joined today by my fellow members of the Board. With me on stage to my right are our Chief Executive, Alistair Phillips-Davies; Finance Director, Gregor Alexander; Chief Commercial Officer, Martin Pibworth. And behind them, Sally Fairbairn, our Company Secretary; Tony Cocker, our Senior Independent Director; Lady Elish Angiolini; John Bason and Debbie Crosbie. And directly behind me are Helen Mahy, Dame Angela Strank, Peter Lynas, and Melanie Smith.

Changes to the Board

The membership of our Board continues to evolve in line with succession plans. There are a number of upcoming changes which we have previously announced. Peter Lynas is here on stage in his capacity as Chair of the Audit Committee but steps down at the conclusion of today's meeting. I'd like to thank Peter for his nine years of service on the Board and his careful and thorough leadership of the Audit Committee. As you know, he is succeeded by John Bason who will chair the Audit Committee from today.

This is also Gregor Alexander's last AGM for SSE plc. As announced earlier in the year, Gregor steps down from the board on 1 December and we thank him for his extraordinary service over two decades as Finance Director and for the critical role he's played in making SSE the successful company it is today. After a competitive selection process, we're delighted to have appointed an internal candidate to succeed Gregor in Barry O'Regan. Barry will be appointed to the Board on Gregor's retirement and I have every confidence that he will be instrumental as SSE seizes the exciting opportunities that lie ahead.

Sally Fairbairn also retires at the end of this month after eight years as Company Secretary and leading our Investor Relations team. Liz Tanner will be expanding her existing General Council responsibilities to take on the role of Company Secretary. I look forward to working closely with Liz and would like to extend my personal thanks to Sally for the tremendous support and good counsel that she has given to the Board. Thank you.

And we look forward to welcoming a new Non-executive Director Maarten Wetselaar, who will bring a wealth of relevant energy sector experience as well as an additional international perspective to the board when he joins on 1 September.

And finally, I would like to thank all of the directors for their work over the past year, which is well documented in the Directors' Report and the individual Board Committee reports that are published in our 2023 Annual Report.

Agenda

I will now briefly outline the running order for today. Firstly, I'll provide an update on the progress SSE is making in the execution of its strategy. Following this, we will take questions from shareholders. Then I will summarise the proposed resolutions you are invited to vote upon.

And finally, while I am summarising, all shareholders joining us here in the hall or online can vote on the proposed resolutions. So, before we start the formal business of the meeting, I'd like to say a few words about the strides SSE is making to meet its strategic objectives and the people behind that progress. We rely on more than 12,000 employees whose talent and commitment enable us to execute our purpose and I extend the Board's thanks to all of them for their efforts.

A key area of focus for the Board and the executive team is providing a safe and inclusive workplace in which all employees feel welcome. And it is particularly pleasing that our median gender pay gap has narrowed in this past year and that we are making good progress in increasing the diversity of our employees across the Company.

And of course, getting all of our employees and the contracted partners we work with home safe at the end of each working day remains our top priority. The past financial year was a difficult one for us in terms of safety performance marked as it was by the sad death of a young contractor, Liam Macdonald, on one of our projects on Shetland. This was undoubtedly the low point of the year, and we have since put in place new measures to further support those working on our large capital projects.

SSE's strong financial and operating performance last year should be seen in the context of a dramatically shifting energy landscape that offers opportunities to create lasting value for society and our shareholders and exactly aligns with our purpose. The war in Ukraine and the associated global energy crisis means the pursuit of net zero is now as much about energy security and affordability as it is about tackling climate change.

The energy system of tomorrow will need more renewables, reinforced electricity networks and more flexible backup generation and storage. This is exactly SSE's business, and we take pride in doing it all in a way that leaves no one behind. Recent events have accelerated the global transition that can only be positive for a company with SSE's capabilities, reputation and firm financial footing. As a developer, builder and operator of critical national infrastructure, the biggest contribution SSE can make is through addressing the underlying causes, not the short-term symptoms of the energy crisis. And that is by investing in the future energy system.

The past year was one of delivery milestones that are too numerous to detail here today, but the highlights included progress made on the construction of wind farms offshore at Seagreen and Dogger Bank and onshore at Viking. Completion of the high efficiency Keadby 2 CCGT plant, laying of the pioneering HVDC transmission link to Shetland and settlement of a new net zero focused electricity distribution price control.

At the same time, SSE has grown with the acquisition of an onshore renewables development pipeline in Southern Europe and the addition of the Triton Power assets to the SSE thermal generation fleet that have already created value for the group and offer exciting decarbonising potential for the future. I've already mentioned our determination to leave no one behind in what we think should be a just transition to net-zero.

The Net Zero Transition Plan you're voting on today establishes the science-based targets we are aiming for and the actions that we will take to remove greenhouse gas emissions from SSE's operations. We're working to UN-aligned business goals and while a slight rise in total emissions reflected our expanding asset mix last year, our targeted emissions intensity remains stable as investment increases in renewables.

We remain committed to driving a sustainable transition. Our goals hold us to account on emissions, renewable output, network connections and a just transition. And we are proud of our positive environmental social and governance index ratings, which reflect the lengths we go to in disclosing the impact we have on people and the planet.

The demand for what SSE offers is growing steadily. We've recently accelerated our planned investment with what we have called the Net Zero Acceleration Programme Plus – or NZAP-plus – strategic update. We plan to invest £18bn out to 2027, with a reallocation of capital across the Group that reflects the increasing options we have in thermal generation and electricity networks, while enabling the expansion of our renewables pipeline.

Our investment could reach £40bn this decade. That equates to around £10m every day spent on a cleaner, more secure and more affordable energy system. In short, our plans cement our position as the UK and Ireland's clean energy champion with a growing international footprint. They mean more value for shareholders and society, more financial strength, more investment, more jobs, and more growth to come over the next decade.

Before we vote on the resolutions, I'd like to invite questions from our shareholders. In the notice of meeting, we explained that we would respond in writing to pre-submitted questions, and these together with the responses can be found in the investor section of the sse.com website.

In addition, as I've highlighted today, we can take your questions online over the phone or in the room. Mark Nimmo from our Corporate Affairs team is now at the question point. If you'd like to ask a question relating to the performance of the Company or AGM business in the room, please make yourself known to Mark.

So, let's take questions now and I'm going to hand over to Sean Munday, Head of Corporate Reporting, who will facilitate...

Shareholder questions

Sean Munday: Thank you, John, and good afternoon everybody. Can I first ask anyone who asks a question this afternoon to please introduce yourself beforehand. That would be helpful, thank you.

To start with, we are grateful to Climate Action 100+ for sharing their question with us in advance. CA100+ and Rathbones Group representative, Matt Crossman, has joined us here in Perth today and he will make a brief statement before putting that question to us in person. So, Matt, thank you.

Matt Crossman: Chairman, members of the Board, fellow shareholders, both in person and online. My name's Matt Crossman, I'm the Stewardship Director at Rathbones Group. Very pleased to be here today to make a statement on behalf of Rathbones Group plc, also my fellow co-lead investors, Aegon Asset Management, Aberdeen Asset Management, and the Universities Superannuation Scheme.

So, we've talked about CA100+ already. It's an investor initiative that aims to ensure that the world's largest corporate greenhouse emitters take necessary action on climate change. To date, over 700 investors with over US$68 trillion in assets under management have signed up to support the CA100+ initiative, equivalent to more than one third of all assets under management globally.

We aim to mitigate investment exposure to climate risk and secure ongoing sustainable returns for our beneficiaries. We aim to support investee companies such as SSE in cutting emissions and accelerating the transition to a net zero carbon economy.

Specifically, we wish to commend the Company for the actions already taken to address climate change in this manner. In particular, the adoption and submission to the AGM of a formal transition plan, explaining how the firm expects to meet its SBTI approved targets. And secondly, as mentioned in the Chair's introduction, the revision of the Net Zero Acceleration

Programme, including that very important upward revision of capex to £18bn over the next five years to 2027.

We also welcomed the consistent positive engagement we've had with the Company over many years and in the last 12 months in particular. Enough of the preamble, to questions.

Our questions to the Board are firstly, how will the Board ensure the right balance between short-term energy system demands and long-term decarbonisation goals, highlighted by the Group's statement in its Sustainability Report and in the Chair's introduction regarding the return of the energy trilemma on the uptick in direct emissions we've seen in the reporting year.

To that end, does the Board intend to explore setting a target year for the phase out of capex in unabated carbon-intensive assets?

And the second question, will the Group explore the possibility of additional disclosures on the anticipated scale of emissions reductions which contribute to SSE emissions targets to be achieved from the most material action points outlined in the Company's net-zero strategy?

Thank you.

John Manzoni: Once again, Matt, thanks to you and to CA100+ for giving us advanced notice of the question and for the continued high-quality engagement that we have with you. With regards to your first question, SSE is a long-term company. However, as the power market accelerates through its net zero transition, it's inevitable that there will be periods of short-term volatility. SSE has a deliberate mix of businesses designed to support the responsible management of those risks.

Last year, the Russian invasion of Ukraine alongside Europe-wide issues of low renewable output and reduced nuclear availability, impacted energy markets significantly. That meant that the flexibility and response from SSE gas storage business and thermal generation portfolio was in greater demand. This follows many years of very low demand. This short-term impact does not affect SSE's long-term strategy. In fact, we are clear that additional earnings will be reinvested in accelerating the build out of net zero technologies.

On that basis, and as you mentioned in your introduction, our Net Zero Acceleration Programme has been extended and enhanced with improved earnings last year, strengthening SSE's balance sheet and providing a strong platform from which to invest in renewables, network infrastructure and low carbon flexible generation. Specifically, with regard to targeting a phase out of capex in unabated carbon-intensive assets, earlier this year, we completed construction on Keadby 2.

When the decision was taken to build Keadby 2, it was alongside the commitment that it would be the last unabated thermal station we would build. Keadby 2 is the most efficient gas generation plant in Europe and as such will play a role in reducing the carbon intensity of the GB market. SSE will, of course, remain responsive to requests from system operators and government authorities to prevent supply shortages, including maintaining the availability of the legacy thermal fleet whilst we progress options to transition into lower-carbon generation.

In short, this means SSE has already ruled out taking decisions that will result in new unabated gas generation capacity, but with the important caveat that we will continue to play our part to ensure secure electricity supplies. The purchase of Triton in 2022 also showed that being a responsible participant in the transition to net zero can include taking on existing carbon emitting assets and through responsible ownership and operation transition and align them to a net zero pathway.

Finally, the team is happy to explore the potential for further climate disclosures that would support stakeholders in understanding the direct relationship between the key actions set out in the Net Zero Transition Plan and its trajectory of greenhouse gas emission reductions. We welcome ongoing engagement with the CA100+ team and others as we progress those discussions.

Matt Crossman: Thank you, Mr Chairman. A very brief follow up question, if I may. The front page of the *Financial Times* this morning has the news around the Swedish group, Vattenfall, suspending its investment in the Norfolk Boreas offshore wind project stating increased costs. And I was just wondering for the Board's reflections on its expectations around its renewables development pipeline as we enter into a very different world of interest rates.

John Manzoni: We also saw the front page of the FT this morning. I think it would be fair to say that in some ways we as a Company did not participate in the particular round that resulted in that winning bid. Partly because we felt given the inflationary supply chains that the economics would not be there. In fact, I'm not saying we were expecting that sort of outcome, but it doesn't surprise us that some companies are now experiencing that inflation and finding it a rather difficult economic proposition.

There is no question, the world needs to build more offshore generation and there is therefore no question, we have to find a path toward where private capital can be deployed in that venture in a profitable and sustainable and reasonable way. And I think that as we go through this transition, there will be cycles and I think we're seeing part of that cycle.

So, we are anticipating that cycle of low returns, and these are signals to governments to say you can't expect private capital to be attracted when there's no return. So, we've got to find a way through this and I think we've just seen part of it this morning.

Matt Crossman: Thank you, Mr Chairman.

Sean Munday: Thank you, John and thank you, Matt, for your questions. We also have a pre-submitted question from the Local Authority Pension Fund Forum and I think we've got the representative John Anzani with us in the room today. So I'll ask Mr Anzani to take the microphone and present his question. Thank you.

John Anzani: Thank you very much. Good afternoon everyone. I'm here today representing the Local Authority Pension Fund Forum, which is a group of local authority pension funds in Great Britain that represent 87 different local authority funds and seven pooled companies. Our members are convinced that good social and economic practice by companies improves financial performance and investor returns in the long term.

And over 44 of our funds have holdings in SSE. I would like to firstly express our thanks to SSE representatives for meeting with LAPFF for many years and for seeking engagement with us. We welcome SSE's leadership on defining what a just transition means both conceptually and in practice. And to this end, it is helpful to see updates in the just transition progress report on how SSE's principles are being implemented and a welcome emphasis on accountability for the just transition programme.

So briefly two questions. We were wondering whether if in the process of reviewing your implementation of just transition, there have been any principles that you believe need to be either tweaked or rethought. For instance, in relation to principle six on costs and benefits, does SSE also factor in the costs of not taking further action on decarbonisation and just transition as well as the costs of action taken?

If you are not taking such an approach, would it be worthwhile to think about whether that clarification would be helpful and to indicate your views to the shareholders, but mainly I would like to focus on where the money is being spent, where it could be spent better elsewhere. And in particular, I'm thinking of whether the Carbon Capture and Storage (CCS) projects that have yet to come to fruition with the technology which has yet to be proven at scale are the best use of capital or whether those funds could be better spent on more effective decarbonisation activities elsewhere.

I would simply add to this that CCS seems to appear much more in PR pieces from various companies, particularly in the energy sector. It appears very often in company reports and it definitely appears in speeches by whoever is the UK energy minister this week, but it doesn't seem to appear in announcements of at-scale plants operating successfully and demonstrating that these technologies actually work.

John Manzoni: Thank you Mr Anzani. And thank you to the Local Authority Pension Fund Forum for advance notice, again, of this question.

SSE has deliberately chosen to focus on the social consequences of the transition to net zero. With our strategy for growth so closely aligned to the transition to net zero, there is a business imperative to influencing that transition in a way that it is fair to working people, to consumers and to their communities.

Our Just Transition Strategy set out 20 principles to guide us toward that aim. And you are right to point out that last year we reported on our progress against those principles. We did not, however, review the principles themselves. So your idea is a good one. In fact, we discussed it this morning at our Board meeting. We will have another look at them and we will seek stakeholder views in the months ahead. I agree also that the costs and benefits for consumers must be a factor in our decision-making as we review those principles.

Your final point about the costs of carbon capture is one that is under constant consideration. SSE agrees with the UK's Climate Change Committee that some carbon capture power generation in the shorter term is essential for the UK to achieve net zero, alongside a growing proportion of hydrogen power generation and the use of other technologies through the 2030s. We also note a series of independent reports that suggest a renewable-led power system, backed up by flexibility from CCS, hydrogen and pumped storage, is the most cost-effective way of achieving net zero.

This is reflected in our strategy and a very deliberate mix of SSE assets that creates opportunities for us right across the clean energy value chain. We have scope to review and adjust capital allocation across the Group, as we have done in the NZAP Plus, depending on the optimum pathway toward the future energy system. Nevertheless, at the point of any investment decision, the costs and benefits of any low-carbon generation opportunity will be carefully considered.

And a final point to your last point … we are in discussion with the government, because we believe that that CCS mix of power, low-carbon flexible power, is required on the path to net zero. We are very keen to engage with the government to encourage their participation so that we can create, again, the attraction of private capital into those investments. And we're in active dialogue with them and will continue to be so. Thank you very much.

Sean Munday: Thank you, John. And thank you for John for posing the question. We have one final pre-submitted question which comes from **Brigitte Alarcon**, who is a representative of campaign group Beyond Fossil Fuels. Brigitte can't be with us today, so I'll ask the question on her behalf. And by way of background, Beyond Fossil Fuels cites the UN IPCC's latest study and comments from the UN Secretary General António Guterres, that electricity generation from fossil energy, including fossil gas, needs to cease by 2035 in OECD countries and in the rest of the world by 2040.

So, within that context, Beyond Fossil Fuels points out that SSE Thermal has development plans, including those for carbon capture at Peterhead, and asks the following four questions. First, when does SSE intend to stop electricity production from gas-fired plants in OECD countries? Second, how does SSE justify its investments in new gas-fired plants in the UK in 2023 and in coming years? Thirdly, has SSE taken steps to ensure its current fossil gas strategy is compatible with the Company's commitment to be aligned with the goal of limiting global warming to 1.5 degrees Celsius? And finally, given the increasing evidence that CCS projects can be subject to large energy penalties, how confident is SSE in asserting a 90% capture rate for CCS projects, and to what evidence or case studies can you point to confirm this?

John Manzoni: I'd like to thank Brigitte and Beyond Fossil Fuels for giving us, again, advanced notice of these questions and I shall take each question in turn.

Firstly, SSE agrees with the spirit of your questions. Recent weather events in mainland Europe and beyond simply underline the strongest messaging yet from the United Nations around the urgency of achieving net zero. That said, and in response to your first question, I suspect there may be one point of disagreement amongst us regarding the role of electricity generation from fossil gas when abated by carbon capture and storage.

Given SSE'S thermal generation assets operate in the UK and Ireland, we are also guided by the climate frameworks in those countries. Every plausible net zero pathway assumes a role for fossil gas plants with carbon capture and storage. SSE has deliberately chosen a strategy that retains its thermal fleet and is seeking a pathway for decarbonisation of that fleet. Some older plants will close, and some sites will be repurposed with either carbon capture or hydrogen or other forms of low-carbon generation. SSE's plan aligns to both a 1.5 degree pathway and to the Climate Change Committee's assessment of a decarbonised power sector in the UK by 2030.

Secondly, the only way SSE will justify any of its activity in thermal generation is if the carbon emissions associated with it align to a 1.5 degree target. To put this in context, SSE has reduced its direct emissions from 10 years ago being around 25 million tonnes, to 6 million tonnes this year. Our target is to reduce emissions to less than 3 million tonnes in 2030, en route to net-zero by 2040 at the latest. And thirdly, yes, SSE has taken extensive steps to ensure its activities will be consistent with its 2030 science-based targets. The Net Zero Transition Plan and Report outline those steps in detail.

Finally, regarding your question about achieving a 90% capture rate for CCS projects. As part of our discussion with government and eligibility for its revenue support framework, the Dispatchable Power Agreement requires CCS plants to have a minimum capture rate of 90%. Towards this goal we are working with AECOM, the University of Sheffield, and the US-based National Carbon Capture Centre, on a UK Government-funded R&D project to reduce CO2 emissions from carbon capture and allow consistent capture levels of between 95 and 99%.

So in summary, we're in agreement with the spirit of your questions and are working towards answers that will support the achievement of a UK Government and SSE targets, including working with partners to develop technical solutions. And as always, we welcome engagement and we thank you for your question.

Sean Munday: Thank you, John. And that is the last of our pre-submitted questions. Just a reminder for our shareholders who are following proceedings online, you can ask questions, just follow the prompts on the platform.

Now we have a question that's been phoned in by [Shareholder A] so I'll ask the operator to put them through.

Shareholder A: I've listened with interest to the Chair as he's given his presentation, and it seemed highly politicised. There are many concerns and risks with some of these ambitious targets set in the net-zero context, which is still highly contentious.

This shareholder certainly has concerns that it does seem to me as though there is very little flexibility or, how can we say it, there doesn't seem to be. These seem to be very rigid ambitions and there doesn't seem to be the flexibility that I think we need in a profit-making company, which is SSE. We are not a social enterprise, we are a profit-making company and we should be looking for the best returns.

Last year I mentioned about the recruitment of staff being about merit and staying away from politics. I really think that we should focus on producing goods and services that people want. Yes, clean energy is a good ambition with technologies that work, but a lot of these technologies are not proven as yet. And there are many, many things that actually might even supersede what we see now as being renewables, like wind and solar and such like.

And I also think that the Board needs to give due concern, and I haven't heard anything about this, about political risk from outside, because SSE itself operates to a large part in the United Kingdom. And I wonder what provision or what consideration SSE has given, if there is a decision by a future government to nationalise all of the energy resources and energy provision in the United Kingdom. I really think this is something that we should be taking seriously as a company. And I echo again that things should be about merit and we should stay away from political things and politicisation. It is highly divisive and it is not good business.

John Manzoni: Thank you, [Shareholder A]. Maybe I can make a couple of comments. First point, this Company, as many companies and in fact all companies, is quite deliberately non-political, apolitical. I think we believe society itself is moving to embrace net zero at an increasing pace that may or may not be reflected in certain specific political points of view, but it is certainly a societal point of view which we have aligned our strategy towards. So we're predominantly aligned to the societal drive toward net zero. And your point about the risks of that in terms of profitability and such, I would just note the Company is increasingly profitable and increasingly successful in that alignment with societal needs.

First point is, this isn't about politics, it's about what society needs and about what our strategy is aligned with. I think your point about flexibility is a good one. We quite deliberately made a choice 12 or 18 months ago to retain optionality along what we call the net zero value chain. And that is because the economic rent does move. There are changes of views, there are moves of economic rent along that chain. And we have, as a result, moved our capital investment focus along that value chain, in order precisely to allow us to take advantage for the benefit of our shareholders but also for the benefit of society, as that moves.

And your final point about UK focus, we are of course a UK and Ireland national energy champion and we're proud of that. That does not preclude us, as you have seen in the last two years, from increasing our footprint internationally and outside of the UK. Partly to reflect a recognition that there is of course single domain political risk if we're just in one place and we are probably, among other reasons, better deployed with options outside of a single political domain, just simply because there is political risk, as it happens. I think we feel that all parties actually, reflective of the point that I made about society, all parties are increasingly embracing net zero.

And I would make the point to you that, provided private capital can perform in a responsible way, the extent of investment that is required in across the globe to get us to a net zero energy system, is so huge that it can't possibly come from governments, it has to come from private capital sources. And I think that is increasingly being recognised, and that is why we are increasingly working closely and hand-in-hand with the authorities in order to try to create a responsible framework in which that private capital can be deployed.

And that, I think, is our intent and our ambition. And we are in this country engaging with all political parties in that endeavour, and I think with some success. So I hope that reassures you in some ways on some of your concerns. Thank you for your question.

Sean Munday: Thank you, John. And thank you to [Shareholder A] for your question. Hopefully that goes some way to explaining the Board's position and the direction we're taking on strategy.

We have a question that's come in from a shareholder online, and for the benefit of those in the room, I'll paraphrase the question now. It's from **[Shareholder B]**, and they ask how a reported loss of £205m is adjusted into a profit of £2.18bn. He goes on to point out on page 195 of the annual report we explain that it's down to derivatives. But the explanation is opaque, he feels. [Shareholder B] says: “I've served several years as a treasurer of a national society so I'm not a complete novice. I hope the business of the meeting will include a clear explanation, but if not, can we have one now?"

John Manzoni: Thank you [Shareholder B] for your question. I'm very reluctant to take on such an expert in financial derivative accounting, as yourself. What I will say is a couple of general things and then I will hand over to the very experienced [Finance Director] Gregor Alexander who will explain.

The first point I will make is that we do have of course adjusted profit numbers in our report. This is as a result of accounting rules, which otherwise would make the numbers almost unintelligible, and they would go up and down and backwards and forwards, partly because of the way we operate in the energy markets. A large part of that adjustment in this instance was what they call derivative accounting, I think, I'm looking for Gregor to nod, was derivative accounting, which is fiendishly complicated to understand.

But nonetheless we have been completely consistent in those adjustments – and indeed we hope transparent in those adjustments – over many, many years, and therefore we have a consistent and transparent process through which we can see them. Now we can always do better, and it sounds like we need to do a little better in the Annual Report. Gregor, I hope I filibustered long enough for you to come up with a really convincing and simple explanation.

Gregor Alexander: Yes, thank you, Chairman. And I'm delighted in my 21st year as Finance Director to get a nice technical question. I think, if you go to page 197, we actually do lay out the adjustments we make, and the big adjustment is the £2.45bn movement in derivatives. And to put that in into simple terms, we enter into a number of forward contracts when we're purchasing particularly fuel. And if during the year, at the year-end, the value of those contracts has gone or the cost has gone up, we have to mark that to market. And because we had quite high prices during the year and then prices came off, that gives a notional loss.

And this is very consistent, as you see over the last 10, 15 years, since International Financial Reporting Standards have been brought in. And just to illustrate the point, in the previous year we had a profit of just over £2bn on derivatives, and these profits and losses are non-cash. So if we didn't reflect them, they wouldn't reflect the underlying profit of the business.

And the final thing I would say to just reassure [Shareholder B] is that I'm an old-timer so I always look at the cashflow, that's what really demonstrates how the business is doing. And if you go to page 208 of the accounts, and bear mind, when I first started in this job, we only had 80 pages of accounts, so it's got a lot more complex. If you go to page 208, cash generated from operations before working capital movements is £2.6bn compared to £1.86bn pounds the previous year. So it's a very complex business we run, we have complex accounting standards we need to deal with, and we've tried to lay out why those adjustments come through. But I can reassure the meeting that the business's cash position and cash generation position is very positive in the year.

John Manzoni: Thank you, Gregor, that's very reassuring to know. I hope that answers your question a little bit, [Shareholder B]. But of course we will continue to try and clarify the disclosures in the Annual Report.

Sean Munday: Thank you, John, and thank you, Gregor. And I understand from the conversations we had in the foyer that there are plenty of questions from the floor. So I'll hand over now to Mark Nimmo for questions from shareholders here today.

Mark Nimmo: Yes, there certainly are. If I can invite [Shareholder C] to the lectern.

Shareholder C: In December 2022, obviously just before Christmas, there was a high-pressure system over the UK. And in the early hours of the morning the wind power generated was 0.97

gigawatts out of an installed capacity of 24 gigawatts. Not good. At 4am on the 19th of this month, wind power was generating 2.36 gigawatts out of an installed capacity of 28 gigawatts. Not good. Obviously at both times there was no electricity from the solar energy systems.

This idea of net zero in my mind is a fantasy, and it's a fantasy almost as much as the new Barbie movie is a fantasy, a plastic fantasy. Now SSE shut down Fiddlers Ferry power station. Why they did that I do not know, because we've now got ourselves in a situation in the UK that we basically do not have a reliable electricity supply. And it's my guess this winter, if we get a cold winter, high pressure system, we will have power cuts. And the problem is that the government and the companies like SSE and Scottish Power have been led by the nose by the green fanatics, who haven't a … clue what they're doing. And this whole idea of net zero, I mean, it's a fantasy and I think we need to be getting a grip of ourselves and rethink the whole thing. I've got no more to say.

John Manzoni: Thank you [Shareholder C]. I'm not sure I heard a question in that, but I think it was a statement, it was a fair statement. You are entitled to your views of course. And this Company does believe in net zero. I recognise that others take different views, and of course that is entirely what our strategy is focused upon, the investment of billions and billions of pounds, by the way very profitably for our shareholders, in that transition to net zero. But since you didn't ask question …

Shareholder C: Net zero: is it actually feasible?

John Manzoni: Okay, so if that is the question. We believe that it is, although we are in a transition and that transition will not be straightforward. I think that would be a fair response to your question.

Shareholder C: The other final thing I'd like to say is, we in the UK contribute to 1% of global fossil fuel emissions, 1%. Other companies, other countries, are still building coal-fired power stations.

John Manzoni: Thank you for your points of view.

Mark Nimmo: Thank you. To follow, we've now got Shareholder D.

Shareholder D: Hello, yes. Good morning, or good afternoon, one and all. [I am a] small shareholder. May I just start by commending some of the things I read in the report.

Firstly, it's very worthwhile seeing that you have some emphasis on a facility for whistleblowing and identifying wrongdoing. Just maintain the involvement of your staff and the ready willingness to partake in that facility. And I should have said, first of all, I thank you for continuing to have an AGM in Scotland, they are few and far between. I don't think London needs any more AGMs and all the money that comes from it with hotels use and whatnot. Please try and keep the AGM in Scotland. And I think last year there was a question and you replied to these, not to me, you replied to these questions very diplomatically, whereas perhaps I can be a bit more blunt about it. SSE is a big user of Scottish facilities and land and so on. So keep the AGM in Scotland, please.

Third thing to commend is … job creation and your stats according to the report and the plans for job creation. And many of them will have to be engineers, scientists. And it's something been observed for decades now, there's a lack of possibilities for practical experience in Scotland, and to a lesser extent Britain. A lot of the training facilities have gone. It's hard to be a decent engineer. So very well having a degree, ideally you should start your industrial training before you start your degree and use your summer holidays for industrial training, not for backpacking somewhere. Yes, commend you on the potential for all these jobs, technical jobs. Fortunately we can get guys coming out of the oil industry. But yes, practical experience is crucial, crucial.

You've got to know how to put a nut on a bolt if you want to be a decent engineer and a respected engineer, respected by your tradesman and your journeyman. If you can't put the nut in a bolt, your journeyman will not perform for you.

May I refer to a couple of the acquisitions, and I referred to one last year, and these acquisitions are done and dusted as far as I can see. The big acquisition in Europe, and you got it from Siemens Gamesa. I can't understand, given the requirements for renewables in Europe and supported and driven by the European government, I can't understand for a minute why Siemens, very experienced German engineering company and Gamesa, very experienced, longstanding engineering companies, why would they dispose of that entity to SSE? And yes, you show how much it costs in the report.

Yet I don't understand why, unless they've seen something that we don't see. For example, Gamesa, a lot of the acquisitions relating to that, a lot of the sub-companies that are listed in your report, many of them addressed in different regions of Spain. Spain has got problems with wind, they're not getting enough. They're good for solar, but maybe, that fellow, first question on the floor here was that chap, identifying a lack of wind. So yeah, why would Siemens Gamesa dispose of that?

And secondly, I particularly referred to this last year, Japan. Now, Mr Chairman, you did refer to the fact that you like and you justify getting involved in territories outwith your domestic one. But last year I tried to refer to the possibility of a tsunami, and your report refers to the fact that there will be floating wind turbines. And maybe, as a little fellow like me can't understand the possibility of hiding floatable wind generators behind islands in Japan, but luckily we had the 2011 experience of that tsunami, and remember that Fukushima was designed to withstand such natural disasters but didn't withstand it.

How can you expect an engineer or engineers to design and manufacture floating wind turbines to withstand at tsunami? Or do the statisticians indicate that the chance of a large tsunami won't be for a long time and that you fellows will be retired and long gone before it happens? I don't understand quite, or at least question quite why we need to go to Japan at all. There's plenty, plenty places to go to and maybe leave Japan to the Japanese or to Pacifico, who you bought it from, have got some knowledge that you don't have as to why they would dispose of it.

So that's those two particular questions. Risk identification, you've got a list, I think it was 11 risks identified, and you've probably got it in there somewhere and I didn't see it. But with this carry on with the Russians' sabotage of subsea cables. Perhaps there should be, and maybe it's in there, that should be something to identify sabotage and terrorism. The Russians won't stop at anything.

And yeah, in a slightly different vein, wind farms, very, very big wind farms. Instead of danger, as solar panels become more and more commonplace and more and more desirable, how do you protect your huge wind farms from the theft, the theft of solar panels? Because it may be that it becomes something that the gangsters identify as worth having. And your large battery facilities, lithium-ion, lithium is very, very expensive, protect your large battery storage facilities again from potential theft. It's amazing what countries and gangsters get up to. You'll know that these drones being supplied by Iran to Russia, they were getting their engines for the drones from small airfields, including in Scotland. They were stealing engines, these Austrian-built engines from small aircraft, and even in Scotland, but across Europe, and they were going to Iran to produce drones. That's what happens, that's the kind of carry on that goes on and you have to protect against.

It may well be, I think there's a wee mention in the report about you being a member of a panel, a critical infrastructure protection identification panel. So that refers to some of what I was trying to say. Just a wee look at my notes to see if there's anything I've missed here. I think I've got the lot.

John Manzoni: Very good.

Shareholder D: There's anything I've missed here? I think I've gotten a lot.

John Manzoni: Very good. Let me see if I can answer some of your …

Shareholder D: Thank you.

John Manzoni: ... many questions, [Shareholder D]. Thank you for your congratulations on our various aspects of whistleblowing. And let me just say we're very proud of our Scottish heritage. That's why we have our AGM here. We will continue to do that. So that goes without saying. And all of your points about engineers and engineering, we take very seriously. We have a big apprenticeship programme to do all of those things to make it practical as well as theoretical, all of those things, happen.

To your questions, why would Siemens sell their renewables business? It's more to do with the context that Siemens sits in than to do with the context that the renewables sit in. Any company has to make choices about where it deploys its capital. Siemens are obviously, as you say, a very well-established, famous, well-known high-quality engineering company. And indeed they made the decision clearly that they needed to focus on that activity as opposed to building out their renewables' activity.

Sometimes those things happen and we found an opportunity. We're very happy with that acquisition. It's created all sorts of options for us and it's much more. So the answer to your question as to why they would sell isn't because they saw some disaster looming. It's rather about their own choices internally for capital allocation within their own business. And that sometimes happens. We made some similar choices in years gone by where we moved our strategic focus to certain parts of our business and that's why they sold it.

On your security questions, yes, we are, of course, conscious and indeed we are part of the government industry task force which thinks about how to maintain the security of our assets and of the UK's nationally important assets. I think I can assure you that those things are discussed, thought through and under continuous discussions, so that we do have security arrangements.

We take care of all of our assets. We have various arrangements both physical and obviously cyber and the control systems and all of those things are discussed. I was just trying to find in my notes whether I could find the risk register, I can't find it. But it is in there. In fact, the Board do talk about the security aspects of our assets so that we can protect your interests and our interests. So I can assure you of that.

And then on Japan, you did raise the question about tsunami and we did talk about floating wind farms last year. And I think the context for this is that in the future, given the amount of generation that has to happen offshore, floating wind farms, floating turbines are going to be a technology that is going to have to be developed because you can't put them all close enough that they can be fixed bottom.

So being part of that technological evolution and development is an important aspect for the long-term future of this company. So that is an opportunity. By the way, it's closer to home. Some of the wind farms, offshore Scotland, will similarly be floating. So the participation in those things is important for a company such as ourselves so that we can be part of that evolution. The reason why we are in Japan is because there are certain countries in this world where it is very clear that the evolution and development of renewable sources of energy will come faster than in other countries.

The previous gentleman mentioned that some countries are still building coal-fired power stations, and they are. But many other countries have decided not to and have decided, therefore, to accelerate the development of renewables, including offshore wind. And that is one of the reasons why Japan happens to be a very good place for us to be participating in because we have some fairly rare skills. We have some fairly scarce skills in SSE. There aren't that many people who can do it as well as we can and, therefore, we are able to choose those places in the world where we can deploy our skills, our resources, our people and our capital. And that's why we're in Japan for the long term. Thank you for your questions.

Shareholder D: What about the potential for tsunamis?

John Manzoni: Maybe [Chief Commercial Officer] Martin Pibworth can answer about the tsunami likelihood. Martin?

Martin Pibworth: So it's nice seeing you here, [Shareholder D]. I think we spoke last year. The floating offshore wind farms, and the depths that we put them in are still being worked on by engineers. I think you're an engineer yourself. We've talked previously. The scale of innovation in some of these technologies is quite mind-blowing. Even if we think about fixed-bottom offshore wind and we think about how quickly technology has increased to create bigger turbine sizes with different weightings and operating at different sea depths, I think there's a confidence that the industry can get to in the same way about floating offshore wind that will take care of some of the natural risks that exist obviously around the deployments of those technologies. So there is time for industry and clever engineers to come to solutions on that and that is what people are working on.

John Manzoni: Thank you. Let's move to the next question.

Shareholder E: The point that I want to make first is for three of the last seven years, I have been unable to attend the SSE meeting because it has clashed with the Edinburgh Investment Trust meeting. This year, the Edinburgh Trust altered their time, so not to coincide with you. But one thing that made me rather unhappy was when I asked if they'd had cooperation from you, they quickly changed the subject, leaving me to draw the conclusion that you hadn't perhaps been as cooperative as possible. It is important that meetings do not clash. I know there are difficulties. But could I flag up that this is important that you cooperate with other companies to make sure that doesn't happen?

The question, and I think it's a fairly short one. I see that we spent £107m or £107.6m on buying back shares. At a point where we're making increasing borrowings and cutting the dividend, I wonder if that is a good use of funds. In fact, I'm pretty sure it is not. Thank you.

John Manzoni: Thank you. And thank you for your point about the Edinburgh Investment Trust. We will endeavour to cooperate. Well, it seems that we have cooperated this year, so that's rather good. You don't have the clash. So it's nice to see you. We will endeavour to cooperate so that we don't have those clashes.

On the issue of share buybacks, you'll note that one of the resolutions that happens each year is the permission for the directors to do share buybacks under specific conditions. To limit the dilution to existing shareholders, if we do scrip and one or two other things. I'm going to turn to Gregor or [Chief Executive] Alistair Phillips-Davies, between you decide, and then to see if you could give the detail, but I think those will be the conditions under which we are buying back shares.

Alistair Phillips-Davies: We have an option for a scrip dividend, but that is capped at 25%. So if there's a greater take-up, we've undertaken to buy back the shares. And so that's what happened. In this case, we've had take-ups that have been significantly above the 25% level of the dividend and therefore we've brought back shares to take it back down to that level. So the scrip is a maximum of 25% and that's something that we've done generally in consultation with other shareholders about where that scrip is.

John Manzoni: So as not to dilute existing shareholders for the avoidance of doubt. Thank you. Thank you for your question.

Mark Nimmo: Thank you. Now we do have a few more questions but time is pushing on so we'll ask everyone to be as brief as possible. But I'll now ask [Shareholder F] to join me.

Shareholder F: Good afternoon. My name's [withheld]. I'm a small personal private shareholder with my wife. Just to give a little bit of background, if you'll forgive me, where I come from, in my questions, that is. I've invested in SSE since Scottish Hydro Electric was privatised way back 30, 40 years ago. Very pleased to see that dividends grew with RPI for more than 30 years, very consistently. It's a very sound investment. So when we retired, having worked abroad and not having much of a pension in this country, we put our investments partially at least into added holdings with SSE.

And this has proved very good and we are very pleased to have that. However, share dividends did grow until 2018, and then there was a collapse of the merger, the proposed merger with EDF and then saw an 18% reduction. But at least we saw a reason for that, even though we didn't see any benefit from it. However, in 2022, you made plans to cut the dividend from next year, from 2024, to 60 pence per share. It was announced, but I must confess, I missed it. It wasn't mentioned at the AGM. It seems that you were taking care not to make an issue of it.

The reports talked about rebasing the shares. Well, rebasing is sort of shifting things around in organisation. This wasn't a rebasing, this was a cut. The last time the dividend was 60 pence was 2008. In 2008, the dividend was 60.5 pence. Since 2008, the RPI has increased 75% and you're proposing that we go back to that. Quite honestly, when I found this out, I couldn't believe it. I contacted the Company, I called head office and I got in touch with Investor Relations and yes, it really was what was being proposed. Now, I'm not being just selfish here. I must stress, I applaud SSE. I applaud the Company, I applaud all the work you do, the generation you invest in, what you deliver to the country as a whole, your commitment to green investment and green generation.

I'm proud to be invested in SSE, but I can't ignore the consequences of that investment. In your Annual Report there are many fine words about producing or returning value to shareholders, returning value to investors. You only invest where the return on the investment is greater than the cost of the capital involved. Well, I applaud also your commitment to net zero. I think that you said that net zero is profitable for shareholders. Well, net zero is essential. It's essential for our survival. But where is the profit for shareholders? It can't or shouldn't just be ignored. You say again in your reports, you consult shareholders. You have meetings with shareholders. Well, presumably these are the big shareholders. The only time the little shareholders like us get to say anything is in the AGM.

Well, our shareholding is about 0.000007% of the shareholding in SSE. We are very small shareholders. But I believe that we represent many, many other small investors. I believe that we also have a common interest in the dividend with some of your larger investors. The pension funds where there they are providing for pensions, it's just the same as we personally provide for our own pension. And I can't believe that our interests are so divergent. Our tiny shareholding in SSE is a third of our pension. If you reduce the dividend next year by 35% as you are planning to do, that is a cut in our gross income of 12%, while everybody else is around us is screaming about the cost of living and people are going on strike because they want higher salaries. I can't simply ignore the fact that you are going to chop off 12% from our gross income.

And I'm still baffled as to why. I've got no answers from your Investor Relations department last October. I've got no answer from your Investor Relations department today. Not an answer that makes any sense to me. So what has happened? Your predecessor, Richard Gillingwater, used to say year after year here in the AGM that the protection of the dividend was the prime business objective of SSE. Well, you seem to have just thrown that out of the window and thrown shareholders such as ourselves to the dogs if I might say.

So after all that, let me ask three questions. Why, despite increased profits, despite the fact that now this year in your last report the proposed dividend is 60% of earnings per share, whereas two years ago it was actually greater than the earnings per share? I am not, by any means, wanting to compare you with companies like Shell BP, etcetera, who make vast windfall profits and dish them out to shareholders.

The honesty of SSE in seeing the return to investors go up and keep pace with RPI and basically not much more is to be applauded. What I can't applaud is seeing 35% dropped off arbitrarily. So why are you sticking to this plan now? Second question. Why do you hide it behind weasel words of rebasing? Rebase does not mean cutting. This is a cut. Let's be honest about it. You are proposing to cut the dividend arbitrarily whatever the actual strength or luck or otherwise of the Company. And the third question, if I might then finally ask, the third question is why should I keep my shares in SSE in these circumstances?

John Manzoni: Very good. Listen, let me first say, I completely understand that the dividends are important for private shareholders. They continue to be important across this country for private shareholders. And we do think about those things very, very carefully. Second, I'll say that we certainly don't try to hide it. In fact, we communicated it to the greatest extent we possibly can. I apologise if we didn't mention it last year in the AGM, it was certainly in the Annual Report. I'm sure it was communicated across many, many forms and there was no intent to hide it. Now the question of why to cut it. The first thing I'm going to say to you is that I would invite you to think about the total return that you have benefited from since we announced the cut of the dividend: the share price of this Company is more or less at record levels.

So when you think about your return on your investment, it's the increase in share price plus the dividend. It's called the total return to shareholders. That's how you calculate it. And you will find that that has been consistently increasing even and despite the cut to the dividend that we announced a year or 18 months ago. So your total return that you have enjoyed over the course of the last few years has actually been great. I don't actually know the data but probably greater than it has been for quite a lot of years before that. So you have to add the price appreciation to this. Two years ago, the shares were trading somewhere around £13 or £14. Today it's close to £18. So every share that you own has gone up by £4, in addition to the dividend that you have been receiving.

And that is how we calculate and people need to think about the total return of investment into SSE. And the reason why we have – we called it a rebase – because we believe that the shareholders will benefit more in when you think about that total return. The shareholders will benefit more from us taking the cash that we otherwise would've distributed in a dividend and reinvesting it into the growth that we are seeing in this Company. That is why we've accelerated the growth from £12.5bn that we announced just 18 months ago to £18bn now till 2027 and possibly £40bn over the decade. The returns on those investments will be greater, in our judgement , than they would have been had we not spent that money on investment but spent it in a dividend distribution. And that is why we have rebased.

There's no question, the Company used to be absolutely a dividend producing company. It was much more of a utility focus in those days. These days, we've talked about the massive investments required by the world to get to net zero and this Company is participating in those investments. To get that money to invest, in part, we have to make judgments about how much we give out each year to the shareholders in a dividend and how much we reinvest into those assets.

So far, I think, it's true to say that the judgements have been good ones because the total return to shareholders has actually accelerated since we made that decision. And I am optimistic that as we look forward, they will continue to accelerate. We see extraordinary growth in this

Company and I sincerely hope the large shareholders and the small shareholders will all benefit from that judgement that this Board is making about that distribution.

Shareholder F: I hope you'll forgive me if I just give a short return to that. In 2018, the dividend went down by 12%. The following year, your predecessor was patting on the back with the Board because you were sticking to the dividend plan. I presume that's going to happen again next year that you'll be patting yourself on the back for sticking to the dividend plan. But when you talk about the total return to shareholders of dividend plus share price, the only way of realising that return, the only way of actually getting it in our hands other than on paper, is by selling the shares, unfortunately.

John Manzoni: That is your choice, of course. I would prefer you didn't. But you could sell them and take the profit.

Shareholder F: I'm afraid I may not live long enough to do otherwise.

John Manzoni: We ought to calculate the numbers for you so that maybe the Investor Relations team can show you the total return so that you could see. And I understand there are differences in liquidity choices in individuals and those are difficult decisions. That's the judgement this Board has made and I think that, on balance, shareholders have benefited from that decision since it was made. For the avoidance of doubt, we've said we'll rebase it at 60 pence and we will grow it between 5% and 10% from that point.

Mark Nimmo: Thank you. Now we do have a series of questions still to ask. So in interest of making sure that we can get through everyone, please keep them as concise as possible. If I could now invite [Shareholder G] to the podium.

Shareholder G: Ladies and gentlemen, good afternoon. Since I last spoke at an AGM, which was prior to COVID, your business has undergone massive transformation. I have to say, I'm very impressed by the extent of the changes that you've made and you talk about in your Annual Report. And I have to say I'm happy with them, including cutting the dividend. I read what you say about fair tax and I note your payment to our government of over £500m last year. And I gather as well, there is a bill of £43m arising from the new Electricity Generator Levy windfall or so-called windfall tax, which has recently been imposed.

Two questions on this. Did any of this £43m of extra tax arise from your renewables' generation? And two, how rapidly do you see this additional taxation declining with the subsequent decrease in the price of gas, which we've seen since last winter?

John Manzoni: Thank you for your questions. You are right. The government did apply the Electricity Generator Levy. I think they called it a levy. They may have called it a tax. Supposedly for windfall gains. We did pay some of that. By the way, we were in a discussion with the government. We do believe in being a responsible participant in that sort of conversation and we were. And the balance, of course, is that nobody wants to make super normal profits because it's not right in a world where the cost of living has gone up so high for individuals and their cost of electricity. So we were in a discussion with the government. The balance, of course, is to make sure we've talked about the level of private investment that needs to happen to get us to net zero, and to make sure that this country remains an attractive place to do business and not a place where random levies get made.

The answer is that some of it presumably did come from our renewables activity and indeed it's rather hard to say what's going to happen because it's going to rather depend on the price structures in the markets as we go forwards. And therefore, and I can't remember the detail of the levy, maybe Martin can or Alistair can, but it was sort of above certain levels. So it's going to rather depend on how the price structures go into the future.

As we speak today, you're right. I think it's gone down because the gas price has gone down from where it was when it was set. So it's quite a variable thing. Of course, we'd prefer that it wasn't happening. But on the other hand, we also recognise that when households and businesses are spending so much on electricity, it's not right that we should benefit from just a price spike and take the money and do whatever we're going to do with it. And so we were quite happy that we could have a responsible conversation about that.

Mark Nimmo: We now have a question from [Shareholder F].

Shareholder F: Under normal conditions like now, a substantial proportion of the UK's electricity is imported from the Continent. This changed dramatically during last year's energy crisis when they were short of gas and we were fortunately able to export quite substantial amounts of electricity to the Continent. Without any sort of immediate increase in renewables, this must have meant running our fossil fuel generating capacity much harder than it otherwise would've been run. And I just wondered what effect this had on SSE's overall profits last year.

John Manzoni: You will have seen that our thermal fleet was profitable, more profitable, and as I mentioned in my remarks, more profitable last year than it has been for a very long time previously, in part because of the particular set of circumstances that was happening both in the UK and across Europe. It was French nuclear unavailability, it was the weather, it was all sorts of things that happened, which did mean that demand for our services or the things that we do went up. So the answer to your question is yes, we did benefit from that exporting of electrons during periods last year. And that is exactly why we hold the mix of assets that we hold in the portfolio because we can foresee that there may be opportunities or there may be instances again in the future such as that.

Shareholder F: Lastly, sulfur hexafluoride, SF6, I'll call it, is a chemical with many wonderful properties. I am a chemist, so I've come across it a few years ago. But it has a global warming potential, tens of thousands of times greater than that of carbon dioxide. I was therefore very pleased to read in your Annual Report that you've commissioned an SF6-free electricity substation at Kintore. Questions arise from this. Will this Kintore substation be a blueprint for future substations so you don't have to use SF6 in the future? And if not, why not? And later in the report, you report the release of hundreds of kilogrammes of sulphur or SF6 to the atmosphere. And I wonder what scope you actually have for reducing the escapes of this gas in the future?

John Manzoni: So, without getting into the detail, and I think there are people who can answer your questions indeed. I'm not going to take on a chemist on SF6, but to your general point, we are very keen to eliminate the use of SF6, which for the moment remains one of the only ways to insulate in transformers and in switchgear and all of those things. And so we are actively working, as you say. We have an activity in Kintore. We're trying to find technological alternatives, technical alternatives to the use of SF6.

I don't know whether Kintore is going to be replicated straight away, but there's an active programme and we are, of course, well aware that that SF6 is significantly more damaging to the climate than carbon dioxide. We are absolutely with you on that. So we must do that. And we are working very hard at it. And one of the reasons we're working very hard of it is because sometimes accidents do happen, sometimes things go wrong and you have escapes of gas or in this case, SF6. And I think that is what happened last year. At the moment, there's no obvious easy alternative, which is why it's still in use across the industry. Thank you for your questions.

Sean Munday: John, I'm conscious that time is running on, and we've got to get to the main business of the meeting. So perhaps just one more question, Mark, and preferably a one-part question would be good.

Mark Nimmo: I've got [Shareholder G] here.

Shareholder G: This will be very brief indeed. Ofgem investigation into SSE Generation Limited. Now, there was a press release on the 6th of June, so anything I'm referring to is in the public domain for all shareholders, and I'm just taking an extract, briefly, from Ofgem's press report on the 6th of June 2023.

Now, here goes the extract, "Ofgem considers that it should have been clear to Scottish and Southern Energy, including senior management," I emphasise that, "that its revised approach carried a significant risk of breaching the transmission constraint licence condition. Ofgem in their assessment have fined Scottish and Southern Energy £11.58m". Now, my question, why has the Chief Executive not resigned, and when will he resign? Thank you, Chair.

John Manzoni: Well, I'm going to give you a general answer to this. First of all, we did discuss this at the Board, not the Chief Executive's resignation, but we did discuss the issue of the Ofgem fine. We have done our own investigations. It's a complex area of pricing structures against uncertain criteria, very often. So, this is about judgement. It's about judgement in the moment by people who are doing their best to try and find ways of meeting the energy demand at a price that is a reasonable and fair.

So, these are judgements and it's not a rule that is clear that you are breaking or that you are not breaking. We believe, and we take great care as a company, to try and make sure that we're doing a fair and proper thing at all stages when we price those moments of electricity distribution into the market. By the way, I would say that there are others who simply don't do that, and absolutely have a commercial view on this, and only a commercial view. We do not do that. We take great care not to do so. We believe this was a genuine mistake. There was no nefarious intent here at all. That is our conclusion. We believe that it was a mistake. It wasn't made at senior levels, it was made in the operations of the system, in the moment, on the day, and therefore we have agreed a settlement … to clear that matter up.

Of course, we'd prefer it didn't happen. We have, as a result, increased scrutiny on the way that we do this and how we do this in a way that we think won't allow that to happen again when we get those things wrong. So, that's my contextual response to your question. Under those circumstances, by the way, that's absolutely not a condition for a Chief Executive resignation. Absolutely not. Even if he did, the Board wouldn't accept it on that basis. So, I think that that's the general context. I don't know whether any of the Executive Directors want to add to that at all.

Martin Pibworth: Just to say market rules are designed for markets in normal operation. Markets by definition are quite dynamic, and what happened in this instance is we accepted that in a situation of quite volatile market pricing, that we had priced incorrectly, and then therefore followed a process. To the Chairman's point about pricing policies and rules, we are constantly reviewing those with the team and making sure that we're adhering to the rules as we understand them.

John Manzoni: So, I think it's about interpretation rather than black and white. That's the answer to your question. Thank you for your question.

Shareholder G: Thank you, Chair, and thank you God for helping me with my question. Thank you very much.

John Manzoni: Thank you.

Mark Nimmo: We've now got [Shareholder H] who's travelled a long way to ask a question.

Sean Munday: Okay, this will have to be the last question, I'm afraid, given time constraints for the meeting.

Shareholder H: I've got three questions, and I've got a preamble to those three questions. Do you want to hear first two questions after the first preamble, or shall I do both at the same time?

John Manzoni: Please just go in the way that you've got it written down and that you'd like to deal with it.

Shareholder H: [*Shareholder H proceeds with an introduction detailing his experience as an energy supply customer with OVO Energy*].

John Manzoni: [*The Chair attempts to explain that SSE plc and OVO Energy are separate entities*].

Shareholder H: I'm not going to shut up. I've come a long way to be here today. Transmission lines. They're coming down the Strathmore Plain. I have a forest in the Strathmore Plain. I am already taking down CO2 in my forest. But the SSE is going to put the big pylons down that plain. I was told the other day by a farmer, each pilot is going to take on one acre of land. The Strathmore Plain is the best growing plain we've got in Scotland. Can you not think of another way of transmitting that electricity? Underground, you're bringing cables in from Shetland, you're bringing cables from, forgotten the name, Orkney Islands, which might go to Norway shortly. But why are you going to put these big pylons down that glen? Why? Why are you going to destroy farmland? Why? That goes against your net zero. Plus, one other thing, these big pylons, they give people cancer, they give sheep cancer, they give cattle cancer. Why? Because they give off an electric magnetic wave. As you know, as I know, you lose energy as you go down the line because of your emissions.

Now, what we could do, why not put it all underground? Stop using aluminium and steel, use copper underground, wrap it in, and work with the government. Why can't you work with the government and put it at the side of the road, underground, wrapped in metal so it cannot be given off, and then put a few cycle paths in it. Think of the environment, think about cycle paths, think about getting people out of their car. And short of that, I gather you're bringing it in from the top end of Scotland, why don't you go down the big glen? You could put it underground and help the government broaden that A9. Work with the government, not against the government. So, my questions are quite simple after all that. Those are the preambles. Lost my question there.

One, can you be more interactive with your customer? I've had bad interaction this year. Two, can you improve how you charge, by removing the daily charge, not reducing, removing it? Because you want people to use electricity, you keep putting up the daily charge, how does that encourage them to use less electricity? You're paying for that any rate, and it's going up, what did I say, 86.1%. Finally, why put large pylons down Strathmore Plain? So we've got three questions.

John Manzoni: Very good. Thank you for your questions. Let me see if I can address some of them. I understand you've come a long way. Thank you for coming. The first point relates to your experience with the billing system as a customer of OVO Energy. That business is not SSE, that business is OVO. Although OVO have the right to use the SSE brand until January 2024, it's actually OVO. We sold the business two years ago to OVO, and you're not the first person to have raised the issue. It was part of the deal to sell that business, that they were able to use our brand. So, they have been using our brand. The business is nothing to do with us, and it hasn't been since January 2020. So, with the greatest of apologies for your experience, that is an issue for OVO, not for SSE.

It links to your second point about the pylons and the work that we have to do, which is an SSE business, to move the electricity from where it's generated to the demand, which is through the transmission lines. That, of course, is a very, very large issue for the country, for the nation. Because right now the levels of investment into those transmission lines have to be enormous in order that this country can move from where we are today to a net zero world, because we have to move the electrons from where they're generated to where the demand is. That needs a massive reinforcement of the transmission and distribution system across this country, and across Scotland and England, across the British Isles in total.

So, what you are observing is part of, on the one hand, an absolutely imperative and enormous investment requirement to take this country safely to net zero. For SSE, every time we do those things, we try to work as hard as we possibly can to consult, full and often, and early, in terms of locating those in the best possible way that we can, to account for as many local issues as we possibly can. There are, of course, limits to that, and you have mentioned undergrounding, which of course we'd love to do.

Here's the problem, it's a regulated industry. If we put the money into undergrounding it, guess where it shows up? It shows up on your electricity bill, because it has to be remunerated, and that is the balance that we have to make. Sometimes we'll go around, sometimes we'll make them a bit longer, sometimes we'll underground them if we can. We'll underground them under the sea if we have to, from Shetland to the mainland. But if we were to underground it, as you suggest, [and] have copper wires under the ground and cycle paths all over the place. It would cost a fortune and it would be remunerated through domestic electricity bills. It's the only place to remunerate it. That's the balance that we and the government and the regulator has to make, and that is why we take the best efforts we can to consult as much as we can.

By the way, on the specifics, there's a group of people outside, I think specifically for the purpose today, and they would be very, very happy to talk to you about your specific issues with a particular line that you are talking about, and they're here for that very purpose. So, for any of our shareholders who are here who want to talk about the local impacts of our transmission lines across Scotland, then there is a group of people outside, waiting to do exactly that for you, and see if they can understand the issues, and explain to you where we are in that consultation process.

Shareholder H: You do realise that that forest [is home to] protected species?

John Manzoni: I'm sure that will be part of the discussions and the consultations that are taking place. So, I repeat that there are people specifically here today in order to discuss these things with you, and they'd be delighted if you'd go and see them after this meeting. Thank you for your question.

Shareholder I: [*Shareholder I interjects from the floor*] Mr Chairman, can I just say … people have said to me, "Oh, OVO is great". They've suddenly changed their mind and quite frankly, I can't find anybody that's happy with OVO. What they do, is they give you just an estimated bill and you have to phone them to tell them your number, your meter reading. You have to wait ages on the phone. It costs money. The service is abysmal, and you are partly to blame for it, for transferring all your loyal customers to this company. They are an absolute disgrace, that company. It's time somebody did something about them, and you are responsible for it. Thank you.

John Manzoni: Thank you for your comment. Again, this is not our business. We've sold it, it's OVO's business, and so please take it up with OVO as soon as you can. I'm happy to say, and repeat, that as of January next year, there will be no SSE branding on anything to do with OVO.

Shareholder I: That makes no difference – OVO are a rubbish company, and nobody's happy with it.

Sean Munday: John, we're running behind, so if there are no further questions, I think we'll move on to the rest of the meeting. Thank you.

Voting

I'm now going to proceed with an overview of the formal business of the meeting. This will start with a very brief reminder of the voting procedures, followed by a summary of the 22 resolutions detailed in the Notice of Meeting, which I propose we take as read.

Voting on the resolutions will be done today by way of a poll. The poll will be conducted using handsets for those of you here in the hall, and by using the voting functionality on the digital platform for those of you attending online, where the voting icon will appear in the navigation bar. To follow proceedings, the 22 resolutions are set out in the Notice of Meeting, and they will also be displayed on the screen behind me. But first, we'll conduct a test vote about SSE's investment strategy. If you experience any issues with the handsets in the room, please alert a member of the SSE team on the floor.

If you think SSE's investment plan for 2027 is called NZAP Plus, press one if you are in the room, or four if you are online. If you think SSE's investment plan to 2027 is called the NZAP Extra, press two if in the room, or Against if online. If you are not sure and wish to withhold your vote, press three if in the room, or Withheld if online. If you could please cast your votes now

On the screen you can see the test vote results. For the avoidance of doubt, the correct answer is, of course, that SSE's investment plan to 2027 is called the NZAP Plus. So, that concludes our test vote. Once again, if anybody's experiencing difficulties with voting in the hall, please make yourself known to one of my colleagues.

To ensure that everyone has enough time to vote, I now declare the voting open on all resolutions for any shareholder, proxy or corporate representative. Voting will remain open for the duration of the meeting and for a few minutes after the summary of the resolutions. I will alert shareholders before the voting closes. If you've cast your vote by proxy, you may still vote and this will supersede your original proxy vote. If you do not vote using your handset, your proxy vote will still be counted. A vote withheld is not a vote in law and will not be counted in the calculation of the number of votes for or against a resolution.

Resolutions one to 18 are being proposed as ordinary resolutions, which require a 50% of the votes cast to be in favour in order to be passed. Resolutions 19 to 22 are being proposed as special resolutions, which require 75% of the votes cast to be in favour in order to be passed.

In Resolution 1, we're proposing to the meeting that shareholders receive the financial statements and the reports of the directors and of the auditors for the year ended 31st of March 2023. Resolution 2 is proposed to approve the Director's Remuneration Report for the year ended 31st of March 2023. Resolution 3 is proposed to declare a final dividend for the year ended 31st of March 2023, of 67.7 pence per ordinary share, payable on the 21st of September 2023. Resolutions 4 to 14 relate to the reappointment of Directors, which is required by the UK Corporate Governance Code. More detail on why each Director's contribution is and continues to be important to the Company's long-term sustainable success can be found in the Notice of Meeting and in the Annual Report.

Resolutions 15 and 16, shareholders' approval for the reappointment and remuneration of the external auditor, Ernst and Young LLP, is requested. If approved, EY will be appointed as auditor until the conclusion of the next general meeting. In resolution 17, shareholders are asked to receive SSE's net zero transition report for the year ended 31st of March 2023, and in doing so, consider and approve it on a non-binding, advisory basis. Resolution 18 seeks authority to allot shares up to one third of the issued share capital. The Directors have no present intention of utilising the authority conferred by this resolution, except in connection with the Company's script dividend scheme and the exercise of options under the Company's share plans.

Before I continue with the special resolutions, please be reminded that voting is open, and if you're having any difficulties in casting your votes, please make yourself known to one of the SSE team.

Resolutions 19 and 20 will be proposed as special resolutions. If passed, these would give Directors authority to allot a limited number of ordinary shares or other equity securities or sell treasury shares for cash, without first offering them to existing shareholders in proportion to their shareholding. This nominal amount represents a combined 10% of the issued share capital, excluding treasury shares of the Company.

The authority in resolution 19 would allow the Company to issue shares up to 5% of the issued share capital without pre-emptive rights applying, and the cash proceeds could be used for general purposes. The authority in Resolution 20 is slightly different and would allow the Company to issue shares without pre-emptive rights applying for a further 5% of the issued share capital. In such circumstances, the cash proceeds could only be used in connection with the financing or refinancing of a specific transaction.

Resolution 21 seeks the authority for the Company to purchase its own shares in the market. This special resolution renews the authority that was given at last year's AGM and will, if approved, renew the Company's authority to make such purchases. The Directors will seek to purchase shares where they believe it would be in the best interests of shareholders, generally, such as to manage any excess share dilution created by the take-up of the script dividend option as described by the Chief Executive in answer to an earlier question. Resolution 22 is the final resolution, and it seeks authority for the Company to call general meetings on 14 days' notice, in line with standard practise for a large FTSE company.

This concludes the summary of the proposed resolutions. I would like to advise all shareholders that the poll will close in two minutes, and if you have not done so already, please submit your votes now.

Thank you, everyone. Voting is now closed. The proxy votes submitted in advance, along with the votes submitted electronically today via the handheld devices and online, are about to be shown on the screen behind me. As you can see, all resolutions have been provisionally passed. The final voting results will be announced to the London Stock Exchange and posted on our website as soon as possible after scrutineering by Link Group, our registrar.

That concludes the formal proceedings of the 34th Annual General Meeting of SSE. Before bringing the meeting to a close, I would like to thank our sign language interpreters, Marie Elliot and Julie Wilson, for their important contribution today. I thank all of you for joining us today. The Board welcomes the opportunity presented by the AGM to engage with our shareholders, as your input is vital to SSE's continuing success.

Ladies and gentlemen, thank you for coming, and that concludes our meeting.

# # # # # #