



Governance

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Chair's introduction

Overseeing sustainable action



Our established approach to corporate governance has continued to provide sharp focus to SSE's performance and long-term direction; ensuring the outcomes of Board work promote a sustainable future for the Company and value for key stakeholders.

Annual General Meeting (AGM) 2024

SSE's AGM will take place on 18 July 2024. To allow full shareholder participation we have retained a hybrid meeting format, with the Notice of AGM setting out the options to join. With my fellow Board members, I look forward to speaking and answering your questions in person and over virtual channels on the day.

SSE's role in society is embedded across our purpose, vision and strategy, which form the backdrop for all of the Board's considerations. We maintain an active process to assess evolving environmental, political, regulatory and market developments in order to incorporate them into our discussions and decisions. The purpose of this governance report is to provide an account of the information we have reviewed and demonstrate how our actions underpin SSE's long-term success.

Focused on delivery

The Net Zero Acceleration Programme (NZAP) Plus sets out SSE's medium-term investment plans. Since initial approval in November 2021, we have reviewed and refined the targets, resulting in two upgrades in May and November 2023. The current projections for fully-funded £20.5bn of capital investment to 2027 confirms additional growth prospects, particularly in our regulated networks business.

Meeting our targets requires a clear view of project delivery, and strategic work has therefore continued to include detailed progress updates and oversight of Business Unit pipelines. This is achieved through monthly executive reports, a quarterly NZAP Plus tracker and project-specific sessions.

Driving discipline

We maintain discipline in our capital allocation by reviewing our investment criteria to reflect changing macroeconomic conditions. Within a wider framework of controls, these practices have contributed to delivery of our financial objectives and achievement of significant milestones in the year despite the headwinds described in the Strategic Report.

Strategic progress and discipline are pursued through a dynamic approach to appraising risk, and we have taken a number of supporting actions in the year. Reporting has been refined within business and strategic updates to provide a consistent assessment of the risk profile for each business area; we have identified a new supply chain Principal Risk due to the supply chain's role as a key enabler for the NZAP Plus; and we are evolving the practical application of our Risk Appetite across key decision making. This sits within a broader package of work to continually develop our existing risk management framework.

In relation to our energy markets activities, we have updated the controls overseen by the Energy Markets Risk Committee aligned to volatility and opportunity within dynamic energy markets, while maintaining an acceptable overall risk exposure for the Group.

Supported by our stakeholders

To fully understand the impacts of the decisions we take – on people and the planet – we work constructively with our stakeholders. Through a combination of direct and indirect engagement we remain informed of material issues and priorities.

Across the year, activity has taken place on a global scale and at a local level. There have been discussions with shareholders covering strategy, performance, sustainability, and governance. Work with policymakers has been shaped by clear advocacy priorities and included representation at COP28, and sessions on domestic frameworks and the reform required to ensure a secure and affordable energy transition. Across the supply chain, we have reviewed the approach to securing capacity for future projects, supporting local investment, and collaborating on environmental and social issues. For the communities and customers we serve, focus remains on creating positive benefits and assisting with the reliable provision of essential and energy efficient services.

The effect of climate change on SSE is linked to all areas of Board work. The issue has an impact on the technologies we deploy and the investments we are making all reflect the realities of a warming world. We have also overseen a response to an increased number of storm events, particularly within the distribution business. Our actions to mitigate the ongoing climate emergency are illustrated across our science-based targets, 2030 Goals, and Net Zero and Just Transition Plans.

A safe and ethical culture

SSE is a product of the people who work for and with us, and their safety is at the top of every Board agenda. The Safety, Sustainability, Health and Environment Advisory Committee has an unwavering focus on the risks associated with our operations and construction work, including how these may continue to evolve as the NZAP Plus is delivered.

Although performance for direct employees was as good as it has ever been, it was overshadowed by the loss of Richard Ellis, the employee of a contract partner. The increase in contractor injuries, and the initiatives implemented to improve safety performance among our partners, have been directly reported at Board level. We remain committed to improving our safety performance across our entire workforce.

Safety is just one pillar of our culture, which has six values at its core: Safety, Service, Excellence, Sustainability, Efficiency and Teamwork. A biannual health-check guides monitoring and shaping of cultural plans, and drives improvements in areas identified by a range of employee listening activities. As part of this, in November 2023, we found that while the values resonate with employees, there could be greater clarity in the way we talk about them. We responded by approving refreshed descriptors that now better reflect our unified view of culture.

Direct interaction with the workforce offers clear feedback on how people feel connected to, and supported by, SSE. This is a full Board activity and is enriched by the structured programme of work carried out by Lady Elish Angiolini, our non-Executive Director for Employee Engagement. With a proportion of our engagement occurring across site visits, we maintain a deep appreciation of SSE's diverse working environments and overall employee experience, which adds perspective to the wide range of employee data we review, including our all-employee survey which received an 88% response rate.

I am pleased we were able to maintain our conversations, and in line with employee feedback, will continue to explore the themes of contributing to net zero, SSE's ethical and inclusive business culture, and ways of working.

Developing a strong Board

The appraisal of our performance was again facilitated by Lintstock, being the second follow-up review since our external evaluation in 2021/22. Our objective to continuously improve has identified focus areas for the coming months, with an overall finding that the Board operates very effectively. An external evaluation will take place in 2024/25 and we will engage an independent reviewer to carry out this process.

The composition of the Board is carefully assessed to provide relevant skills and strong leadership which is tailored to SSE's needs. In line with succession plans, and as previously reported, a number of changes were successfully completed in the year.

On 20 July 2023, Peter Lynas stepped down after nine years tenure, and was succeeded by John Bason in the role of Audit Committee Chair. This was followed on 1 September 2023 by Maarten Wetselaar joining as a non-Executive Director – an appointment which extended our energy markets and international experience at Board level.

After 32 years with the Company and 21 years as Finance Director, Gregor Alexander stepped down on 1 December 2023. As announced last year, we were

delighted to welcome Barry O'Regan as Gregor's successor in the role of Chief Financial Officer.

On behalf of the Board, I would like to thank Peter Lynas for his non-Executive service, and Gregor Alexander for his commitment to the financial leadership of SSE over his tenure. We wish both every success for the future, including Gregor's continued role as Chair of the SSEN Transmission Board.

We also welcomed Liz Tanner, who assumed the role of Company Secretary, in addition to her existing position as Group General Counsel, upon the retirement of Sally Fairbairn on 1 August 2023.

We believe the above changes support the depth and breadth of expertise on the Board, but we remain committed to measuring balance holistically across a number of diversity measures. Female representation is 42% of membership and we have ethnic minority representation in line with the recommendations of the Parker Review. Following the appointment of Helen Mahy to the position of Senior Independent Director on 1 November 2023 we now also fully align with the voluntary Board recommendations within the FTSE Women Leaders Review.

Governance milestones

We welcomed the publication of the UK Corporate Governance Code 2024 by the Financial Reporting Council following engagement in the consultation process. The impact of the final changes has been reported at Board level and we will oversee work to respond in a proportionate way.

I hope the following account of Board work conveys and demonstrates our commitment to meaningful governance.



Sir John Manzoni
Chair, SSE plc

21 May 2024

Governance at a glance

Approach to reporting

The objective of this report is to demonstrate the Board's approach to corporate governance within SSE, which is underpinned by continued reporting against the UK Corporate Governance Code 2018. To allow clear assessment of how the Code's Principles have been

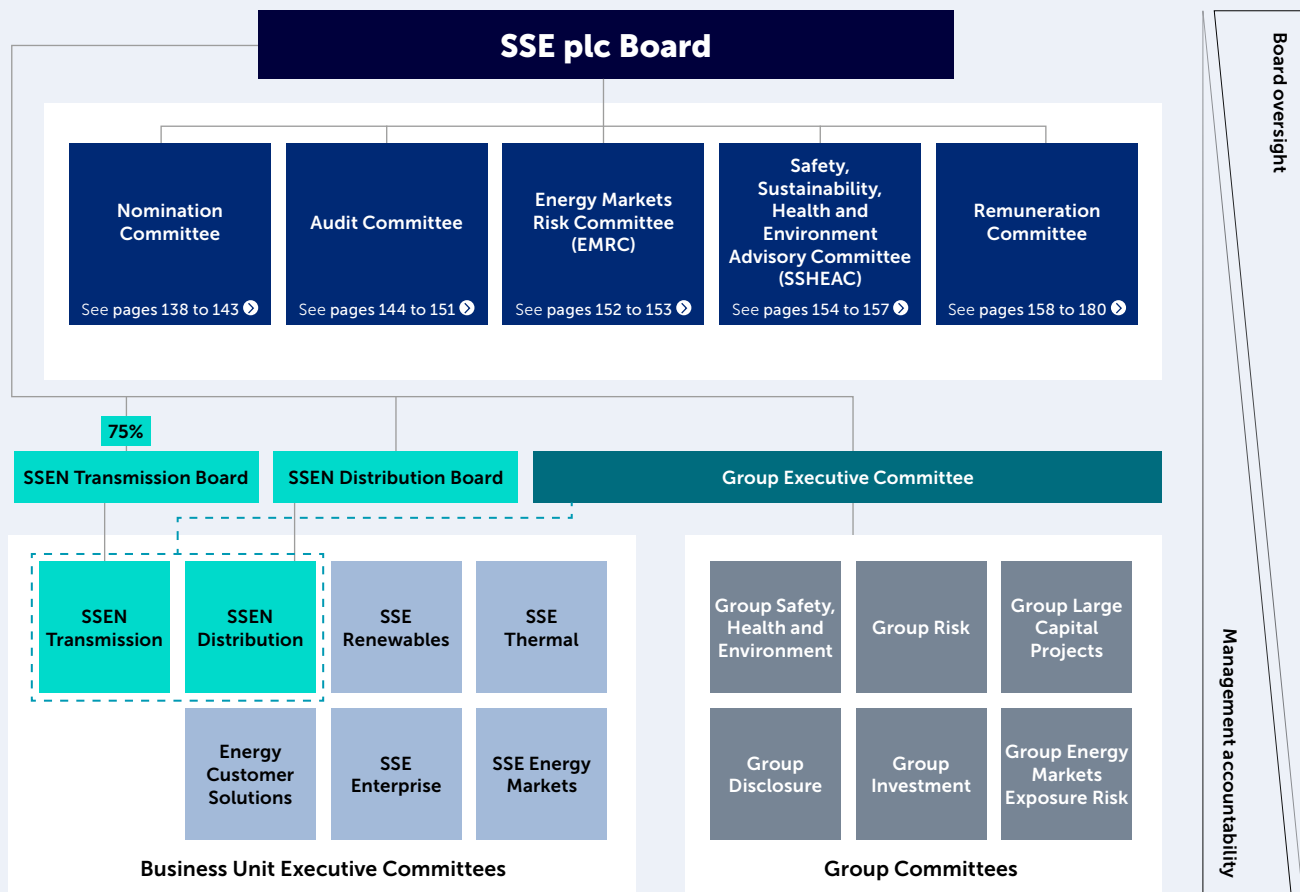
applied, a Compliance Statement is set out on **pages 181 to 183**. This confirms where relevant information is located across the Annual Report and details adherence to the Code Provisions.

The aim of the disclosures outside of the Compliance Statement is to provide an account of Board and Board Committee

work across the year, including outcomes of considerations and decision making.

To support this intent, the report has been restructured around the thematic areas the Board has reviewed in the year and the material stakeholder factors which have been integrated across discussions.

SSE's Governance Framework



SSE's Governance Framework

SSE's Governance Framework is set out above and is led by the Board, whose primary responsibility is to ensure the long-term success of SSE. This is achieved through setting SSE's purpose, vision and strategy, and the parameters in which culture is set and monitored and risk assessed and managed.

The Governance Framework confirms the primary forums which have delegated authority and accountability, on behalf of the Board, for aspects of SSE's operations. Its design is specific to SSE's business areas, risk profile and operating context, as illustrated by the presence of certain Committees, which have been agreed by the Board, in addition to those required by a listed company.

The agreed roles and responsibilities of each Committee are formally set out in Terms of Reference and support decision-making and oversight at all levels within SSE. Separately, the Board retains a Schedule of Reserved Matters for its own decision.

An overview of what is unique across the different levels of SSE's Governance Framework is as follows.

Board Committees. The Board is directly supported by five Board Committees who each provide a separate report on [pages 138 to 180](#). Unique to SSE are the Energy Markets Risk Committee (EMRC) and Safety, Sustainability, Health and Environment Advisory Committee (SSHEAC). The EMRC reviews the governance to support SSE's energy market trading activities and associated risk exposures, with the SSHEAC providing dedicated support and challenge to SSE's strategy, initiatives and performance on safety, sustainability, health, and environment matters.

Group Executive Committee. The Group Executive Committee is responsible for the implementation of SSE's strategy and day-to-day operations through its oversight of business performance and delivery. It is responsible for the executive management of SSE's Business Units and corporate support services, and is led by SSE's Chief Executive. The full membership of the Group Executive Committee can be found on [page 121](#).

Regulated networks. Dedicated Boards oversee the strategy, performance and regulatory approvals required under the electricity network licences held by SSE's regulated networks companies. In line with the applicable licence conditions, Board membership comprises a combination of Executive Directors and sufficiently independent non-Executive Directors. Each of the Transmission and Distribution Executive Committees report directly to the relevant dedicated oversight Board with an information flow to the Group Executive Committee where appropriate, and where no business separation concerns apply.

Business Unit Executive Committees. Seven Business Unit Executive Committees lead the delivery of Business Unit strategy, performance, and targets aligned with Board-set objectives. More on each Business Unit can be found on [pages 68 to 83](#).

Group Committees. Six Group Committees develop and recommend policy, controls and frameworks for areas material to SSE as a whole. They work with SSE's Business Units and report to the Group Executive Committee.



More on SSE's Governance Framework and supporting governance practices can be found in the UK Corporate Governance Code Compliance Statement on pages 181 to 183

Governance of climate-related matters

Given the alignment of SSE's purpose, vision and strategy with net zero, the physical and transitional risks and opportunities associated with climate change are embedded across multiple areas of Board, Committee and senior leadership work within SSE; with the assessment of SSE's position set against the possible pathways to a low-carbon future. Disclosure of how the Board oversees climate-related risks and opportunities is therefore present throughout this report.

To ensure climate considerations are firmly integrated within SSE's Governance Framework, agreed roles and responsibilities are set out in writing at a Committee and individual level. These can be found in the Board's Schedule of Reserved Matters, Committee Terms of Reference, and the division of responsibilities across Board roles.

An overview of these roles and responsibilities is set out below.

Board. The Board reviews and approves priorities surrounding SSE's material sustainability impacts including in relation to climate change. These priorities are integrated into decision-making parameters and frameworks to ensure actions are sustainable in the long term and the approach to climate change is addressed through work on strategy, operations, and risk. The Board further sets SSE's Group Sustainability and Climate Change Policies and approves climate-related financial disclosures.

Audit Committee, Group Risk Committee, TCFD Steering Group and TCFD Working Group. These forums govern the different stages of production, development, review, and assurance of SSE's climate-related financial disclosures. Recommendations are made to the Board as to whether they are fair, balanced and understandable, with the Audit Committee further considering the impact of climate change on SSE's financial statements.

Nomination Committee. The Nomination Committee considers the skills and experience the Board needs to support assessment of SSE's operating context, which includes the impact of a climate change on SSE's position now and in the future.

SSHEAC. The SSHEAC oversees the implementation of key SSE Group Policies, including in relation to environmental and climate adaptation matters.

Remuneration Committee. The Remuneration Committee agrees the integration of climate factors within SSE's policy on executive remuneration.

Group Executive Committee. The Group Executive Committee identifies SSE's material sustainability impacts and oversees implementation and delivery of supporting strategy. This includes the management of climate interventions, targets and plans set by each of SSE's Business Units and relevant corporate functions.

Chief Sustainability Officer. SSE's Chief Sustainability Officer reports to the Chief Executive and advises senior management and relevant Committees on climate-related matters.

More on climate-related work in the year

- Climate expertise within Board skills on [pages 116 to 120](#).
- Board work on setting strategy and the parameters for delivery on [pages 123 to 125](#).
- A top-down approach to sustainability on [page 126](#).
- Audit Committee work on climate-related financial disclosures on [page 146](#).
- SSHEAC work on sustainability and environment, social and governance matters on [page 156](#).
- Remuneration Committee approach to executive pay on [pages 168 and 170](#).

Board of Directors



Sir John Manzoni

Chair

Committee membership



Date of appointment

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

Career and experience

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

Skills relevant to the SSE Board

- Dynamic and engaging leader with diverse perspectives from multiple sectors, organisational settings and geographies.
- Experienced in the governance of large-scale business operations, leading reform, the management of complex projects and driving business performance.
- Strong communicator with insight into the management and development of stakeholder relations.
- Working knowledge of energy regulation, government and policy considerations which underpin achieving net zero.
- Brings sharp focus to people leadership, succession planning and inclusion and diversity.

Key external appointments

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



Alistair Phillips-Davies

Chief Executive

Committee membership

Date of appointment

Executive Director since January 2002 and Chief Executive from July 2013

Career and experience

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

Skills relevant to the SSE Board

- Sound executive leadership and a considered approach to strategy; central to the delivery of the Net Zero Acceleration Programme Plus and SSE's sustainability plans and targets.
- Broad knowledge of the energy markets in Great Britain and Ireland and across Europe.
- Proactive understanding of SSE's stakeholder priorities.
- Detailed understanding of policy, politics, and regulation, enabling constructive engagement in these areas.
- Focused on people development to support culture and capabilities for future growth.

Key external appointments

- Non-Executive Director of Anglian Water Services Limited.
- Member of the Scottish Energy Advisory Board.
- Member of the UK Government's Hydrogen Delivery Council.
- Member of the Net Zero Council.
- Business Fellow at Smith School for Enterprise and Environment.



Barry O'Regan

Chief Financial Officer

Committee membership



Date of appointment

Executive Director and Chief Financial Officer since December 2023

Career and experience

Barry joined SSE in 2008 and became Chief Financial Officer in December 2023. Prior to becoming Chief Financial Officer, Barry was Finance Director for SSE Renewables as well as having responsibility for corporate finance across the whole of the SSE Group. In his previous role of Director of Treasury and Corporate Finance he oversaw group funding and treasury operations. He is a chartered accountant and trained with PwC in Dublin before joining Airtricity in 2005.

Skills relevant to the SSE Board

- Financial expert with 19 years of energy value chain knowledge, driving the disciplined delivery of SSE's capital investment and growth plans.
- Skilled in the development of financial strategy, which has been integral to the reshaping of SSE over the last decade.
- Experienced in leading corporate financial projects and teams, covering corporate modelling, funding strategy and debt issuance.
- Active understanding of investment community views.
- Supports SSE's approach to partnering, having served on joint venture boards.

Key external appointments

- None

Key for Board Committees



Nomination Committee



Safety, Sustainability, Health and Environment Advisory Committee



Audit Committee



Remuneration Committee



Energy Markets Risk Committee



Committee Chair



Martin Pibworth

Chief Commercial Officer

Committee membership



Date of appointment

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

Career and experience

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

Skills relevant to the SSE Board

- Literacy in complex energy and commodity markets, supported by technical and operational expertise.
- End-to-end experience in large capital projects including joint venture engagement and governance, integral to the development of SSE's diverse and flexible generation portfolio.
- Commercially minded in seeking future growth within SSE's market-based businesses, including internationally, having supported key capital recycling opportunities and transactions.
- Understanding of change management and sources of commercial risk.

Key external appointments

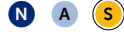
- Member of Energy UK Board.
- Vice Chair of the CBI Scottish Council.



Helen Mahy CBE

Senior Independent Director

Committee membership



Date of appointment

Non-Executive Director since March 2016 and Senior Independent Director from November 2023

Career and experience

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

Skills relevant to the SSE Board

- Long-standing energy and regulatory expertise, spanning legal, compliance, governance and risk frameworks, with over a decade of experience overseeing renewables infrastructure investment.
- Extensive insight into investor and stakeholder perspectives and trends from cross-sectoral, international and external Board interests that enable wider discussion and debate.
- A balanced sounding board and advocate of a strong safety and employee wellbeing culture, extensive knowledge of sustainability, and applies focus to social equity, inclusion and diversity.

Key external appointments

- Non-Executive Director of Gowling WLG (UK) LLP.
- Chair of NextEnergy Solar Fund.
- Chair of the charity the Global Media Campaign to end FGM.



Rt. Hon. Lady Elish Angiolini LT DBE KC

Independent non-Executive Director of the Board and for Employee Engagement

Committee membership



Date of appointment

Non-Executive Director since September 2021

Career and experience

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

Skills relevant to the SSE Board

- Significant understanding of UK and Scottish governance and practical experience of working with government through independent public reviews, whilst maintaining no political affiliation.
- Strong ambassadorial skills acquired through an international stakeholder network in judicial, governmental, diplomatic, and academic fields.
- Exercises a strong sense of social purpose and adds depth of perspective to Board considerations, including being an advocate for employee views.

Key external appointments

- Pro-Vice Chancellor of the University of Oxford.
- Principal of St Hugh's College Oxford.
- Chair of the Angiolini Inquiry.
- Chair of Board of Trustees of Reprieve.

Board changes 2023/24

- Gregor Alexander was succeeded by Barry O'Regan as Chief Financial Officer on 1 December 2023.
- Peter Lynas stepped down after nine years' service on 20 July 2023.
- Maarten Wetselaar joined as a non-Executive Director on 1 September 2023.
- Helen Mahy succeeded Tony Cocker as Senior Independent Director on 1 November 2023.

BOARD OF DIRECTORS – CONTINUED



John Bason

Independent non-Executive Director

Committee membership



Date of appointment

Non-Executive Director since June 2022

Career and experience

John is a chartered accountant and brings significant listed company and international experience, through a career in global businesses. He was Finance Director of Associated British Foods plc (ABF) between 1999 and 2023 where its diverse businesses employed 128,000 people and operated in 53 countries worldwide. In 2023 he became Chair of Primark's Strategic Advisory Board and Senior Advisor to the retail business. Prior to ABF, John was Finance Director of the international distribution and services group Bunzl plc. Prior non-Executive experience includes Senior Independent Director and Audit Committee Chair of Compass Group PLC.

Skills relevant to the SSE Board

- Recent and relevant financial experience, with a proven track record of developing financial and commercial strategy, including M&A, corporate transactions and large capital projects.
- Extensive leadership experience and international perspective, gained from global companies and complex operations.
- Understanding of the listed company context with practical experience of investor relations and ESG strategy, placing upmost importance on the role of sustainability.

Key external appointments

- Non-Executive Director of Bloomsbury Publishing Plc.
- Chair of the charity FareShare.
- Primark Strategic Advisory Board Chair.



Tony Cocker

Independent non-Executive Director

Committee membership



Date of appointment

Non-Executive Director since May 2018

Career and experience

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

Skills relevant to the SSE Board

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

Key external appointments

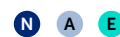
- Chair of Infinis Energy Management Limited.
- Visiting Professor at Aston University.
- Chair of Future Biogas Limited.
- Chair of Energy Systems Catapult.



Debbie Crosbie

Independent non-Executive Director

Committee membership



Date of appointment

Non-Executive Director since September 2021

Career and experience

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

Skills relevant to the SSE Board

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

Key external appointments

- Chief Executive Officer of Nationwide Building Society.
- Member of the Glasgow Economic Leadership Board.
- Member of the Business School Advisory Board of Strathclyde University.
- Member of the FCA Practitioner Panel.
- Director of UK Finance.
- Member of the Prime Minister's Business Council 2024.

External appointments

The proposed and actual new external commitments taken on by Sir John Manzoni, Melanie Smith, Dame Angela Strank and Tony Cocker were considered and approved by the Board. Further details of the considerations surrounding time commitment and independence can be found on [pages 140 to 141](#).



Melanie Smith CBE

Independent non-Executive Director

Committee membership



Date of appointment

Non-Executive Director since January 2019

Career and experience

Melanie is the Chief Executive Officer of the NEC Group and a leading UK consumer retail executive. She brings over 20 years of strategy and transformation experience, with previous roles including CEO of Ocado Retail, the online grocer and retail company, and Strategy Director for Marks & Spencer where she had responsibility for group strategy, M&S Bank and M&S Services. Prior to this she held the positions of Global Strategy and Marketing Director at Bupa, Chief Operating Officer at TalkTalk and a Partner in McKinsey's Consumer practice.

Skills relevant to the SSE Board

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

Key external appointments

- Chief Executive Officer of the NEC Group.
- Advisory Board member of Manaia.
- Deputy Chair of Sadler's Wells.
- Founder of Mokaraka Trust.



Dame Angela Strank DBE

Independent non-Executive Director

Committee membership



Date of appointment

Non-Executive Director since May 2020

Career and experience

Dame Angela has held a long-standing international career in energy, including 38 years' service at BP. She was a member of the Executive Management team as BP Group Chief Scientist and Head of Downstream Technology. This followed international business and technical leadership roles spanning R&D, engineering, digital, product development and innovation, business development, finance and renewable energy. She is a Fellow of the Royal Society, the Royal Academy of Engineers, and an Honorary Fellow of the UK Energy Institute. Her DBE recognises services to the energy industry and pioneering STEM careers, especially for women.

Skills relevant to the SSE Board

- Expert in technology and science within the broader energy and manufacturing industries.
- Knowledge of leading and collaborating on a large scale and with international outlook, having worked extensively in culturally diverse environments.
- Corporate social responsibility and sustainability experience through involvement in climate science research, the energy transition, reputation and safety management, and inclusion and diversity; having chaired the Corporate Sustainability Committee, and Safety, Ethics and Sustainability Committee in two FTSE 100 companies.

Key external appointments

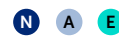
- Non-Executive Director of Rolls Royce plc.
- Non-Executive Director of Mondi plc.
- Member of Rio Tinto's Innovation Advisory Council.



Maarten Wetselaar

Independent non-Executive Director

Committee membership



Date of appointment

Non-Executive Director since September 2023

Career and experience

Maarten brings over 28 years' experience in the energy sector and is currently Chief Executive Officer of CEPESA (Compania Espanola de Petroleos, S.A), the Spanish multinational energy company involved in oil, chemicals, biofuels and green hydrogen. Prior to his current role, Maarten spent over 26 years at Shell, where he held positions within general management, finance, strategy, and business development and led the establishment of the company's renewables activities. His last six years at Shell were spent as a member of the Executive Committee in charge of the Integrated Gas and New Energies business.

Skills relevant to the SSE Board

- Wide-ranging and international experience in the energy industry, having lived and worked in South America, Africa, Asia, the Middle East, and Europe.
- Energy transition leadership, supported by experience in renewable, low-carbon, and green hydrogen capital projects globally as well as developing, communicating and engaging in energy transition strategies.
- Extensive experience in commodity markets, particularly relating to liquefied natural gas.
- Working knowledge of the listed company context including capital markets and investor relations experience from previous executive committee and finance roles.

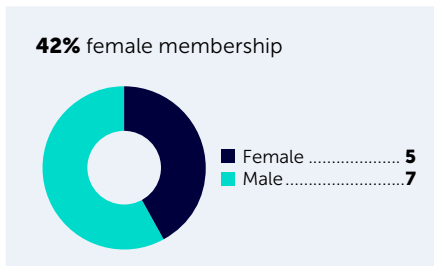
Key external appointments

- Chief Executive Officer of CEPESA.

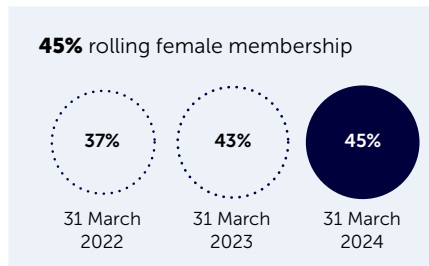
Board Composition

As at 21 May 2024

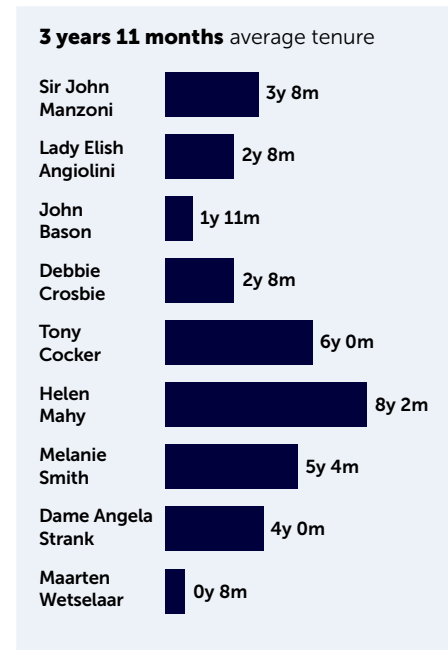
Board gender balance



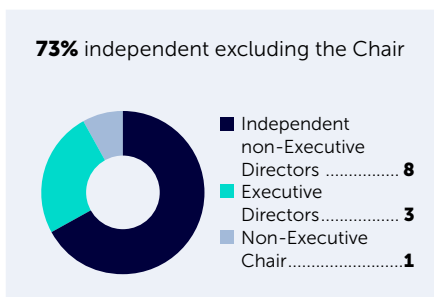
Rolling three-year female representation



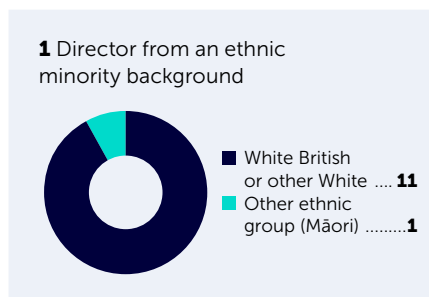
Non-Executive Director tenure



Board independence



Board ethnicity



Skills to support long-term success

The below matrix sets out the expertise the non-Executive Directors have assimilated outside of their SSE roles, mapped to the specific skills required of the Board to support SSE's long-term success. The collective position continues to be enhanced by the innate differences in approach and thinking styles, which result from the diverse background and experience of each individual as indicated in the respective Board biographies.

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

Group Executive Committee



Alistair Phillips-Davies
Chief Executive



Barry O'Regan
Chief Financial Officer



Martin Pibworth
Chief Commercial Officer



Chris Burchell
Managing Director,
SSEN Distribution

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



Rob McDonald
Managing Director, SSEN
Transmission

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



Sam Peacock
Managing Director, Corporate
Affairs, Regulation and Strategy

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



John Stewart
Director of HR

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



Liz Tanner
Company Secretary and
Group General Counsel

Liz is a Barrister and joined SSE in 2002 with the acquisition of Neos Networks. Since then, she has held a variety of legal and commercial roles and was appointed to the Group Executive Committee as Group General Counsel in March 2019, in advance of becoming Company Secretary and Group General Counsel in August 2023. Liz leads SSE's Company Secretariat and the corporate functions of Legal, Ethics and Compliance, Data Protection, and Large Capital Project Services. She is also a member of the GC100 Executive Committee.



Stephen Wheeler
Managing Director,
SSE Renewables

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



Peter Lawns
Deputy Company Secretary,
Secretary to the Committee

Peter is a Fellow of the Chartered Governance Institute. He joined SSE in 2005 and has held a variety of finance and company secretarial roles. Peter has been Deputy Company Secretary since 2013 and oversees the delivery of the Group company secretarial service with responsibility for corporate governance, entity management, corporate reporting, and share registration and share plans. Peter was appointed Secretary to the Group Executive Committee in August 2023.

The Board's year

The following section sets out some of the key topics which the Board has focused on within its meetings and Board sessions in 2023/24. These reflect a commitment to progress under the NZAP Plus, SSE's dynamic operating environment and work to set the conditions for long-term success.

Meetings and attendance

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

1 Barry O'Regan joined the Board and EMRC on 1 December 2023.

2 John Bason notified a prior executive conflict with the date of a Nomination Committee meeting in April 2023.

3 Debbie Crosbie provided prior notification that the meeting of the Audit Committee in May 2023 coincided with the financial results for her Chief Executive Officer role.

4 Maarten Wetselaar confirmed prior to appointment on 1 September 2023, that the Board, Nomination Committee and EMRC meetings in November were on the same date as his executive Board meeting.

5 Gregor Alexander stepped down on 1 December 2023.

6 Peter Lynas stepped down from the Board on 20 July 2023.

In each instance of non-attendance papers were provided in advance of the meeting and comments provided to the respective Chair where appropriate.

Overseeing actions on safety

Safety is SSE's number one value and the first item on every Board agenda. The Board was pleased the Total Recordable Injury Rate (TRIR) for SSE's employees exceeded the agreed performance expectation for the year, but was disappointed with the increase in TRIR for contractors.

The Board reviewed key safety metrics and targets, and challenged work being carried out by the Group Safety Team and Business Units to ensure strategy and plans were delivering anticipated outcomes, with specific focus on contractor engagement and the initiatives which were being deployed to support performance.

Understanding the root causes behind SSE's metrics, helps the Board ensure that the actions being taken address key issues and support continuous improvement.

Board engagement with SSE's safety culture continued through site visits, participation in the newly developed immersive safety training, and attendance at SHE conferences. To help set joint standards and a commitment to get everyone home safe, the Board received feedback on a contract partner safety event, organised by SSE, which was attended by over 80 companies and 200 participants in November 2023.

0.07

SSE employee TRIR
(versus 0.10 in 2022/23)

0.41

Contract partner TRIR
(versus 0.34 in 2022/23)



More on SHE matters can be found in the SSHEAC Report on pages 154 to 157

Setting strategy and the parameters for delivery

The Board sets and reviews SSE's strategic direction through a programme of work which includes dedicated strategy days, Business Unit strategic updates and assessment of the external environment.

Reviewing strategic direction

The objective of strategic work in the year was to assess the impact of external developments on SSE's agreed capex plan (the NZAP Plus), review strategic progress, and debate further options for growth. The matters considered under each of these areas, and the outcomes of in-depth discussion, are set out opposite.

Setting financial parameters for strategic delivery

Each year, the Board reviews SSE's financial and investment strategy to ensure its Business Units and corporate functions have the necessary resources to deliver against agreed objectives. To ensure strategic plans are delivered within agreed parameters, the Board agrees key financial and investment criteria and reviews projects which meet its financial approval thresholds.

The annual budget was set by the Board in consideration of NZAP Plus investment, new projects and capacity coming online, and the impact of commodity prices on SSE's market facing businesses. To safeguard a disciplined approach to investments, it agreed investment criteria and targeted returns, by technology and geography, to reflect the cost of financing, inflation, and interest rates. In conjunction with the Audit Committee, the Board received updates on funding work and market liquidity to ensure SSE retains an investment-grade credit rating. In recognition of the scale of each of SSE's Business Units strategic plans and given the range of controls which exist in relation to project investment, the Board further approved an increase in its delegated financial authorities and a number of supporting matters within its Schedule of Reserved Matters, to support effective progress and delivery of the NZAP Plus.

Monitoring markets and policy

Two key areas which impact SSE's performance and long-term plans are energy markets conditions and the requirement for clear energy policy.

The Board's oversight of energy markets has been informed by monthly updates on commodity pricing and the work of the EMRC surrounding the governance arrangements to manage SSE's portfolio exposures. Following recommendation by the EMRC, the Board approved changes to

Assessing the external environment	Reviewing the NZAP Plus	Exploring future growth
<p>To prepare for the strategy review days, the Board discussed key macro-operating developments and trends, including:</p> <ul style="list-style-type: none"> – Global and geopolitical volatility, including inflation, interest rates, policy and supply chain. – Growth and costs of current and emerging technologies. – The competitor landscape. – Stakeholder perspectives of SSE. 	<p>Through the strategy review sessions, the Board assessed NZAP Plus progress and enablers for its delivery, including:</p> <ul style="list-style-type: none"> – Business Unit progress against targets and identified risks and dependencies. – The interaction and role of SSE's key stakeholders within NZAP Plus plans. – SSE's current position and options in selected markets. 	<p>The Board explored long-term risks and opportunities to continue to maximise shareholder and stakeholder value, including:</p> <ul style="list-style-type: none"> – The growth landscape and risk-adjusted returns of the existing pipeline, new projects and technologies. – Financial strategy and the ways to fund accelerated growth. – The shape of SSE and its business mix.
Outcomes		
<p>The Board confirmed the NZAP Plus as the correct strategic trajectory; approved Business Unit priorities and growth areas; and confirmed SSE's people, culture, organisational skills and capabilities as key enablers. A programme of strategic questions and topics was agreed to shape inputs to the Board agenda over the next 12 months and support ongoing strategic discussion. Through this work, in November 2023, the Board made an upgrade to its capex plans following the assessment of the additional growth opportunities available in its regulated networks businesses.</p>		

the governance controls and risk metrics which the Committee oversees, so that they remain aligned to the external market environment and continue to be operationally effective.

The Board monitored policy developments, and actively engaged with policymakers and SSE's policy teams, on achieving practical reforms to accelerate the delivery of the infrastructure that the net zero transition requires. Key developments covered, include: the Review of Electricity Market Arrangements (REMA), the license conditions to support Accelerated Strategic Transmission Investment, the Contract for Difference framework required for offshore wind, and the criteria to build out low-carbon thermal at scale.

Setting strategy and the parameters for delivery continued

Reviewing strategic progress

Through the Board's review, discussion and debate surrounding strategic opportunities and challenges to NZAP Plus delivery, it has continued to reflect on the needs of SSE's key stakeholder groups. The following examples demonstrate how stakeholder factors were integrated within a number of the key developments which have formed part of the Board agenda in 2023/24.

Delivering value through volatility in Renewables



The Board regularly appraised growth opportunities for SSE Renewables across Great Britain, Ireland, and international markets, to support the development of its project pipeline. This included reviewing Contract for Difference (CfD) auction strategies, bids for new seabed, and overseeing the acquisition of a major new onshore wind pipeline in Ireland, and a new solar pipeline in Poland. New renewable projects are critical for the delivery of a low-carbon energy system, and SSE, and the Board, must work constructively with key stakeholders to successfully deliver these.

Balancing stakeholder interests

- **Delivering energy security and affordability.** The Board oversaw decisions to develop and deliver new renewable energy infrastructure, and provided approvals to progress projects which are needed to deliver long-term energy security and affordability for consumers.
- **Maintaining financial discipline.** The Board focused on the need to maintain financial discipline within its pipeline growth to ensure shareholder value through a volatile period for the sector. This resulted in the decision not to bid for offshore capacity in the UK's Allocation Round 5 (AR5) CfD auction.
- **Safeguarding supply chains.** The Board considered supply chain capacity and discussed the challenges of supply chain constraints in the sector. This resulted in monitoring of the business' procurement and engagement strategy to secure supply chain for future projects and regular updates on supplier engagement on current large capital projects.

Potential future opportunities

- **Securing long-term value in selected markets.** The Board will continue to review SSE Renewables' approach to establishing itself in selected markets and consider the required approach to stakeholder engagement within any new projects and plans.
- **Futureproofing market design.** The Board will retain constructive engagement with policymakers and regulators, surrounding market frameworks that promote renewable generation, prioritise sustainability, and deliver fair returns for investors.

Delivering flexibility in the net zero transition



The Board has reviewed opportunities to enable SSE to build a platform for future flexibility through low-carbon thermal and hydrogen-ready projects to deliver the long-term decarbonisation of the UK power system. Viable, flexible, low-carbon projects are needed to support security of supply and grid stability, for customers and society, and relies on policy and low carbon infrastructure to support economic development. Key areas of stakeholder influence, which the Board has reviewed in its work, include Government ambitions and the requirement for supportive policy, and continuing an approach to partnering to progress work on new technologies.

Balancing stakeholder interests

- **Security of supply for society.** The Board has supported the progression of Keadby Hydrogen through the design and planning process to help support security of supply challenges in the shorter term, and align with decarbonisation goals in the medium and longer term. Within this, it recognised the reliance on, and associated delays with government policy, to deliver the low-carbon infrastructure required for hydrogen and CCS projects.
- **Centralising expertise and enabling collaboration.** The Board received updates on the establishment of a Hydrogen Centre for Excellence to facilitate collaboration across SSE's business units and unite expertise across disciplines. It confirmed this would better enable SSE to deliver against its own and governments' hydrogen strategies, and engage with stakeholders as projects, policy and technology develop.
- **Broadening technology base.** The Board considered the strategic role of blue hydrogen production to support the decarbonisation of the power sector, through provision of low-carbon hydrogen as a fuel. This saw the H2NorthEast acquisition and assessments to understand the associated GHG emissions of the project and its alignment with the UK's Low Carbon Hydrogen Standard and EU Taxonomy criteria, and delivery against SSE's Net Zero Transition Plan.

Potential future opportunities

- **The role of low-carbon thermal.** The Board will continue to consider the role of new low-carbon flexible generation in the transition to net zero, and will engage with the appropriate stakeholders on opportunities to develop projects.
- **Supporting local economies.** The Board will remain updated on engagement with local communities, and what can be done to support the creation of low-carbon economies in areas impacted by the decline of carbon intensive activity.

Powering accelerated growth in the transmission network



Under the NZAP Plus, the Board approved a doubling of investment from £10bn to £20bn in SSEN Transmission. This investment in the growth of the transmission network is critical for the Scottish and UK Government to reach their 2030 renewable energy targets and is reflective of the Accelerated Strategic Transmission Investment projects (ASTI) identified by Ofgem. These projects and the existing RIIO-T2 Business Plan touch many stakeholders, from communities to society at large, and it is therefore essential SSEN Transmission continues to engage widely and share stakeholder feedback with the Board.

Balancing stakeholder interests

- **Community-led changes.** The Board remained appraised of comprehensive and meaningful engagement with communities, including the approach to project consultation events, as SSEN Transmission continued to refine project routes. A number of proposed changes to project design and substation locations resulted from local and wider stakeholder feedback.
- **Powered by people.** The Board reviewed the approach to workforce planning and recruitment, focusing on critical talent and targeted programmes for diversity, pipelines and training. As a result, it provided views on the continued development and the importance of SSE's safety culture to support the pace of required network growth.
- **Collaboration with supply chain.** The Board considered the requirement to secure supply chain capacity to deliver the identified growth opportunities within SSEN Transmission, which saw a number of businesses and contractors committing to a new ASTI Delivery Charter. This commits all those working on ASTI projects to a series of key working principles, including leaving a legacy and positive impact in the communities where infrastructure will be hosted.

Potential future opportunities

- **A network for net zero.** The Board will continue to monitor the delivery of a price control business plan that protects customers' interests and supports the building of national critical infrastructure, including development with stakeholders, of the business plan for the next price control period under RIIO-T3.
- **Beyond 2030.** National Grid ESO's Beyond 2030 plan confirms the need for a number of additional projects to proceed now, for delivery by 2035, which combined represent a potential estimated investment of over £5bn for SSEN Transmission. The Board will review the stakeholder engagement required to ensure an appropriate regulatory framework, secure planning and the required regulatory approvals.

Deepening Board knowledge

The SSE Board possesses a diverse skillset and depth of knowledge aligned to SSE's needs as set out in the skills matrix on [page 120](#). Every year, the Board looks for opportunities to deepen its understanding of specialist topics through dedicated sessions which are both internally and externally facilitated. Internal sessions are attended by a range of SSE senior leaders, allowing the Board to fully engage with subject matter experts and the talent pipeline.

Below are two examples of topics discussed in 2023/24.

Large capital projects

Senior leaders presented sessions on the unique aspects of some of the large capital projects which define the NZAP Plus, to provide clear oversight of project-specific milestones, risks and critical dependencies. Areas covered, included project topography, technologies, construction plans, and consenting and supply chain needs, allowing the Board to deepen its understanding of the individual project considerations, and ask questions of the project teams and offer its own perspective.

Carbon capture and storage

SSE Thermal's strategy and engineering team hosted a deep dive session into carbon capture and storage (CCS) to help the Board deepen its understanding of this technology. The team explained how CCS can help decarbonise the power sector by tracing the journey of a carbon dioxide molecule from fuel combustion, through its capture, and onto final storage, and provided an overview of the key technical processes at different stages of a CCS plant to explain the intricacies of managing this type of facility.

4

External speaker sessions

4

Deep dives

A top-down approach to sustainability

The actions SSE is taking to support energy system transformation aligned to the sector's 1.5°C global warming pathway are reinforced by Board-approved sustainability and climate-related priorities. These priorities are integral to the delivery of SSE's sustainability and climate ambitions (see [pages 24 to 49](#)) and are embedded within decision making across SSE.

Reviewing climate science

The Board's understanding of the impact of climate change on SSE's strategy and business model is supported by a range of inputs. In the year, the Board received an update from SSE's meteorologist covering the latest climate science and weather pattern projections.

Committing to transparent sustainability reporting

Given growing stakeholder interest in sustainability-based disclosures, the Board reviewed emerging reporting frameworks, including the EU Corporate Sustainability Reporting Directive, International Sustainability Standards Board requirements, and Taskforce on Nature-related Financial Disclosures (TNFD) recommendations. In the spirit of remaining progressive, a key action endorsed by the Board was the approach to preparing for sustainability-related financial disclosures and the integration of emerging areas into SSE's existing ESG governance. In advance of publication, the Board approved SSE's Human Rights and Modern Slavery Statement and supporting Action Plan.

Collaborating on climate

Prior to SSE's participation in COP28, the Board considered the approach to stakeholder engagement across the key themes of renewables deployment, future electricity networks, and low-carbon flexibility, underpinned by the view that a unified approach across countries, industries and society is imperative to tackling climate change. It also continued to support SSE's role in the Powering Net Zero Pact – a supply chain initiative to address challenges in bringing about a fair and just transition to net zero (see [page 27](#)) – as the key vehicle to drive change with supply chain partners.

Supporting climate solutions aligned to a 1.5°C pathway

Governing digital and data

Rapid growth in digital tools and computing power presents both risks and opportunities for SSE. To stay abreast of this important topic, the Board received updates on artificial intelligence (AI), cyber security and data protection, led by senior leaders in each specialism. It also took part in an external session with Gartner to explore the use of AI in business and a digital energy system.

Approving a new AI framework

As part of its work to review the opportunities of AI, the Board approved a new group-wide AI framework to support the development of new use cases. The framework outlines several areas of focus, including how AI will support SSE's strategic vision and how the group will assess and govern its unique risk profile. The Board will periodically review the framework to ensure that, as AI matures, SSE's approach remains a responsible one.

Understanding the evolving cyber landscape

The Board reviewed SSE's cyber risks – and the steps being taken to mitigate them – in light of ongoing geopolitical instability, regulatory changes, emerging technologies and the industry wide challenges of working within a global supply chain.

The Board also considered external assurance over key areas of SSE's cyber resilience, and agreed SSE's approach to meeting Network and Information Systems (NIS) Regulation obligations. It was further updated on regulator driven changes to NIS compliance and the introduction of NIS2 in Europe.

Protecting data

To ensure that SSE's data protection framework remains fit for purpose in light of ongoing digital and regulatory changes, the Board reviewed SSE's key privacy metrics and the plans to continue strengthening its privacy programme. The Board concluded that the proposals would reinforce SSE's privacy and data standards.

Showcasing digital innovation

Dedicated sessions were held for the Board to learn about some of the digital solutions being developed by teams across SSE. These showcased the potential and identified the challenges of digital platforms, AI assistants, and data-driven forecasting and optimisation models, and provided clear insight on how digital ambitions were being pursued. Understanding these issues will help the Board continue to assess SSE's approach to information governance and strengthen its oversight of digital engagement and skills.

Assessing culture and values

Our values and Doing the right thing

SSE defines a healthy, ethical business culture as 'Doing the right thing' which is underpinned by the 'SSE SET' of six core values:

- Safety
- Service
- Efficiency
- Sustainability
- Excellence
- Teamwork

Setting the tone

The Board sets the culture and values of SSE and views these as integral to everything it does. It takes both a strategic and cultural lens to its deliberations and works to guide a healthy and ethical business culture across the organisation.

To lead by example, the Board seeks to demonstrate the application of SSE's values through its own actions, with senior leaders responsible for supporting the desired culture and making sure the values are embedded in their business areas.

More specifically, culture is reinforced at Board-level through:

- SSE's governance framework and practices (see [pages 114 to 115](#)).
- SSE's Doing the right thing guide profiling values and behaviours (see [page 40](#)).
- SSE's Group Whistleblowing Policy and whistleblowing arrangements (see [page 40](#)).
- People matters, appointments and succession planning (see the Nomination Committee Report on [pages 138 to 143](#)).
- SSE's risk, controls and compliance approach (see [pages 86 to 95](#) and the Audit Committee and EMRC Reports on [pages 144 to 153](#)).
- Focus on safety, sustainability, health and the environment (see the SSHEAC Report on [pages 154 to 157](#)).
- Attitudes towards reward and remuneration (see the Remuneration Committee Report on [pages 158 to 180](#)).

Updating the value descriptors

During the year, the Board approved the outcomes of a project to review SSE's values. This assessed employee views of the

continued role of the SSE SET within SSE's culture and included focus groups led by the Institute of Business Ethics (IBE) to gather employee feedback. This was considered by an internal working group and resulted in refreshed value descriptors that more accurately reflect SSE's purpose and vision – and which emphasise innovative and inclusive ways of working. The meaning of the updated value descriptors to SSE and colleagues was discussed through a full communication programme – see [page 40](#) for more information on this work.

Measuring culture

The Board assesses the strength and health of SSE's culture in a number of ways, ranging from interacting directly with employees, to regular reports and updates. Twice a year, the Board reviews the Culture Dashboard, which is reflective of SSE's values and the way they inform cultural strands and indicators. The Dashboard includes employee survey data, people metrics and key performance indicators provided by Group HR and Group Ethics and Compliance, allowing the Board to see where there are differences between aims and reality and to support and track initiatives aimed at engaging with employees and enhancing SSE's culture.

Culture Dashboard extract 2023/24

Our culture is shaped and determined by the way we

Attract and retain people	Work together	Look after each other	See ourselves	Make decisions	Lead from the top
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Reflected in employee feedback and key metrics

Employee engagement 85% ▲	Inclusion 87% ▲	Safety 90% ▲	Our strategy 83% ▼	Doing the right thing 91% ▼	Senior leaders 68% ▲
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▲ ▼ Employee survey results relative to 2022/23

Supported by Board action

Held sessions with people new to SSE and early in their career to understand SSE's offering to prospective employees (see page 129).	Engaged with all Belonging in SSE community co-leads to understand employee priorities and promote inclusion across all areas (see page 142).	Engaged directly in SSE's safety culture (see page 122) and continued regular operational site visits (see page 157).	Identified that employees wanted more engagement around the NZAP Plus	Approved refreshed SSE SET value descriptors	Listened to feedback on topics employees wanted senior leaders to engage on, and engaged with all areas of the workforce on these (see page 129).
Considered the continued role of SSE's Just Transition in supporting jobs for people in high-carbon roles	Approved updates to the Board Inclusion and Diversity Policy and a senior leadership ethnicity ambition (see page 142).	Considered the monitoring conducted by the SSHEAC (see pages 154 to 157).	Visited various SSE locations to understand employees' connection to strategy (see page 129).	Continued to monitor a range of reports and feedback including following employee engagements, survey results, monthly people updates, compliance reporting, and the Culture Dashboard	Participated in talent programmes (see page 142).

Hearing and responding to employees

Engagement highlights

12

Board site visits and engagements

14

Board-led virtual sessions

12

Non-Executive Director for Employee Engagement sessions

c.27,000

Total employee attendance at Board calls

3,820

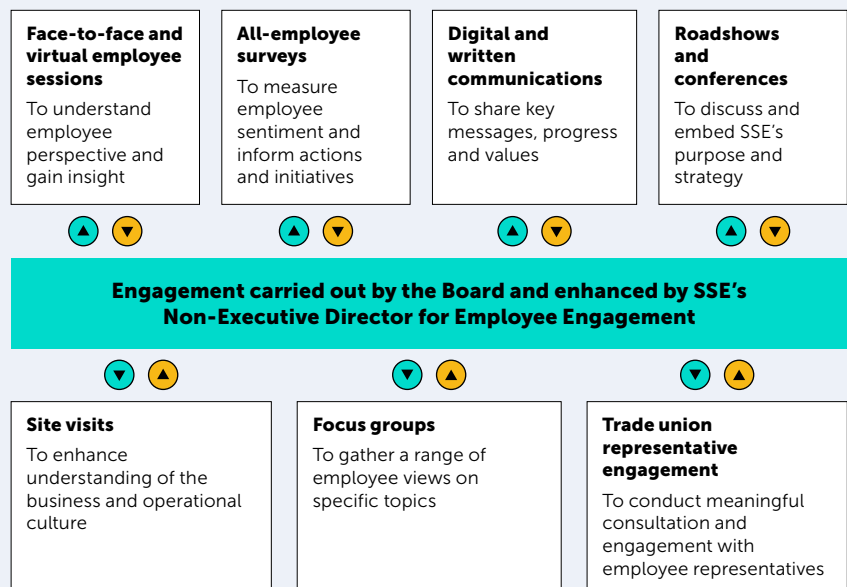
Largest audience size



How the Board engages

The Board is committed to ensuring everyone has a voice and access to the appropriate channels to share their views. The framework shown below demonstrates how the Board actively engages with employees across a range of different working environments, roles and locations, to capture employee experiences and views and understand how these differ or align.

Board engagement format and value created



Non-Executive Director for Employee Engagement

Lady Elish Angiolini was appointed Non-Executive Director for Employee Engagement in April 2023, following agreement that her rich stakeholder experience would support the core purpose of the Board-employee link and allow true connection with employee needs. This dedicated role follows an agreed plan of work which builds on existing channels of communication and fosters new engagement opportunities. It complements full-Board engagement activities by strengthening the depth of employee sentiment and representing relevant concerns within discussions and decision making.



Over the last year I've heard from all areas of SSE's workforce as well as employee-led Belonging in SSE communities and trade unions representing SSE employees. This provided me with a wide range of views and I am grateful for the open and candid conversations I've been able to have. The views and insights gained have been discussed with the Board, to ensure they are channelled into action where required."

Lady Elish Angiolini

Members of the Board during their visit to the Iver primary substation



Taking action on employee feedback

SSE's all-employee survey is an important tool to help the Board understand the issues that matter most to employees. In the 2023/24 survey, employees said they wanted more senior leader engagement on strategy and net zero, culture and ways of working. Some examples of how the Board responded to these topics is set out below.

Strategy and net zero

Why the Board engaged

The Board acts in response to all-employee survey and engagement feedback, which cited a want to engage further with senior leaders on SSE's strategy and the drive to net zero.

- Sir John Manzoni, John Bason, Debbie Crosbie and Helen Mahy visited the Iver 132kV primary substation construction site to meet SSEN Distribution and contractor teams and explore areas including progress, challenges, technical innovation, skills and recruitment.
- Melanie Smith met SSE Thermal engineering teams to discuss innovation in low-carbon solutions and digital technology for Keadby 2 Power Station to support safety, maintenance and performance.

- Dame Angela Strank met senior leaders representing all of SSE's Business Units to consider and reinforce the NZAP Plus, strategic messaging, development opportunities and succession planning.

Culture

Why the Board engaged

The Board engages to deepen understanding of culture, promote adoption and embedding of company values, and gain insight into employee sentiment.

- The results of the 2023 all-employee survey and key takeaways were shared on an all-employee virtual call, attended by Lady Elish Angiolini, to offer her views on the survey results and respond to employee questions.
- Sir John Manzoni, Dame Angela Strank, Tony Cocker and Maarten Wetselaar attended a session with managers from a range of business areas and discussed communication and understanding of culture, and leading on values and strategic priorities.

- Following the Annual General Meeting 2023, Lady Elish Angiolini, Melanie Smith, Martin Pibworth, Tony Cocker, Debbie Crosbie and John Bason met employees who had been with SSE for less than 12 months. This provided understanding of views and potential improvements to the appeal of SSE as an employer, including in the areas of career advancement, flexible working, values and onboarding. The other Directors participated in a live all-employee call to allow discussion of topics material to employees.

Ways of working

Why the Board engaged

The Board seeks views of employee needs to drive culture and meet expectations surrounding working practices, career progression and wider support.

- Helen Mahy attended SSE's Engineering Professional Development Forum Engineering Awards, to hear from SSE's engineers, celebrate success, and reinforce the Board's commitment to SSE's engineering population and STEM career paths.
- Alistair Phillips-Davies, Barry O'Regan and Martin Pibworth led a hybrid Leadership Conference from Perth, to discuss the role of effective and efficient leadership in delivering key work and initiatives. The conference was simultaneously held and shared virtually in Dublin with Tony Cocker in attendance and in Reading with Helen Mahy.

- Lady Elish Angiolini connected with SSEN Distribution teams who were engaged in a change programme, to learn more about their experiences and progress on new ways of working. This was attended by employees with varying lengths of service including apprentices, who shared insights and views on career pathways, skills development and knowledge transfer.

Understanding shareholder views

Engagement highlights

During 2023/24 the Board, senior management and the investor relations team participated in:

225

one-to-one and 37 group meetings

Global

meetings physically across Europe, Australia and Asia, with virtual engagements in North America

2

results-based roadshows

Pre-AGM

Chair-led governance meetings

18

industry conferences



Board engagement with a wide range of investors reflects the importance of recognising the views of those that invest in SSE, when making and implementing strategic decisions, communicating sustainable business plans, and reporting on environmental, social and governance (ESG) and financial performance.

Institutional investors

A comprehensive engagement programme underpins discussions with institutional investors surrounding their investment priorities and views of SSE's position and plans. Within this, results-based engagement is typically led by SSE's Executive Directors, with the Chair leading discussion on corporate governance matters with the support of the Senior Independent Director. Board Committee Chairs conduct engagement in response to investor requests or to canvas opinion on a development within Committee work.

Retail shareholders

In December 2023, Computershare Investor Services plc (Computershare) was appointed as SSE's Registrar, with responsibility for day-to-day management of the register of members and related

shareholder services (see page 343).

With support from Computershare, the Investor Relations team and the Company Secretariat engage with retail shareholders in response to private shareholding queries. In addition, SSE's investor website provides a source of equivalent information for SSE's retail shareholders, housing regulatory news announcements and published financial and non-financial reports.

Sharing and interpreting feedback

The Board remains appraised of investor sentiment through feedback following each engagement, monthly investor and market reports covering share price performance and sell-side analyst commentary, and independent reports from SSE's brokers.

Re-affirming investor support for the NZAP Plus

Response to Full-year Results

In May 2023, the Board confirmed SSE's NZAP Plus, which rolled the original NZAP forward by 12 months whilst also upgrading the associated targets, ambitions, and investment mix. This decision reflected the available growth opportunities across SSE's portfolio of net-zero aligned businesses and was consistent with investor feedback surrounding SSE's strategic and investment plans. The comprehensive post-results roadshow across May and June 2023 canvassed opinion on the upgrade, which continued to align with the Board's views of disciplined investment and executing on growth.

The Board noted forward-looking investor priorities focused on the returns associated with international opportunities, the challenging UK policy environment, and the complexity of thermal earnings in volatile commodity markets.

Progressing the Net Zero Transition Plan

An ESG investor event, with the Chief Executive, Chief Commercial Officer, Chief Sustainability Officer and Director of Investor Relations took place in June 2023. The purpose of the online event, 'Progressing the Net Zero Transition Plan', was to confirm the position of climate targets at the core of SSE's strategy, and to update on progress against them. Questions were invited to be submitted ahead of the event to ensure focus on areas of investor interest. The Board was updated on investor support for continued clarity around SSE's actions to achieve its net zero ambitions. This support was illustrated at the Annual General Meeting (AGM) 2023, where the advisory vote on SSE's Net Zero Transition Report received almost 98% votes in favour.

Responding to the macroeconomic context

Following a further revision to the NZAP Plus in November 2023 – confirming an expected increase in capital investment to £20.5bn over the five years to 2026/27 – a global investor roadshow was undertaken and meetings attended by at least one of SSE's Executive Directors. The Board received feedback on emerging investor consensus surrounding identifying the right investment opportunities within SSE's business mix and in line with any changes in the macro-operating context.

98%

Votes in favour for SSE's Net Zero Transition Report

2

NZAP Plus upgrades

Focus on environmental, social and governance (ESG)

Seeking views on corporate governance and sustainability

The annual Chair roadshow in July 2023 reinforced Board priorities and sought feedback across corporate governance and sustainability topics, covering Board and senior leadership composition and succession planning, the importance of accredited science-based targets to underpin SSE's decarbonisation pathway,

as well as an increased focus on tracking and targeting reductions in Scope 3 emissions. Views received remained aligned to the Board agenda and areas of Board focus.

Engagement with ESG ratings agencies

Active engagement with ESG ratings agencies during 2023/24, underpinned by SSE's 2030 Goals, Net Zero Transition Plan, Just Transition Strategy and science-based targets, resulted in stable or improved performance in relevant ESG indices. The SSHEAC reviewed performance in the year and more information can be found on [page 156](#).

Green debt financing

Recognising investor demand for debt used to fund sustainable assets, SSE issued a new €750m Green Bond in August 2023 and, via SSEN Transmission, a new £500m Green Bond in January 2024. The issuances were overseen by the Audit Committee and Board, and supported by regular engagement between SSE's Treasury function and debt investors. For more information see [page 18](#).

£3.7bn

SSE's total Green Bond issuance to date

For more on the Board's engagement with shareholders and debt providers, including key matters of importance raised, see [page 132](#)

For more of the integration of investor views within Board considerations see [pages 124 to 125](#)



The Board answering shareholder questions at SSE's Annual General Meeting 2023

Stakeholders and Section 172 Statement

Through delivery of its strategy SSE fulfils an unwritten social contract, at the centre of which, are SSE's key stakeholders. These are identified as the people, communities and organisations that have an interest in, or might be affected by, its decisions, actions and operations.

The relationship with key stakeholders is two-way and an overview of the reciprocal nature is set out in SSE's business model on [pages 6 to 7](#) and the introduction to SSE's stakeholders on [pages 14 to 15](#).

Strategic stakeholder engagement underpins the understanding of issues material to each of SSE's six key stakeholder groups and includes a combination of business-led and Board-level interactions. This approach is reflective of legislative and regulatory requirements and is designed to ensure all views are heard.

The result is stakeholder influence across business plans and supporting objectives. Situations will exist where not every stakeholder interest can be addressed in full, however stakeholder regard continues to the greatest extent possible in decision-making across SSE.

This statement, and the following pages, summarise how the Board has upheld SSE's social contract through the discharge of its duties under Section 172 of the Companies Act 2006.

How we engage with key stakeholders and what we've learnt

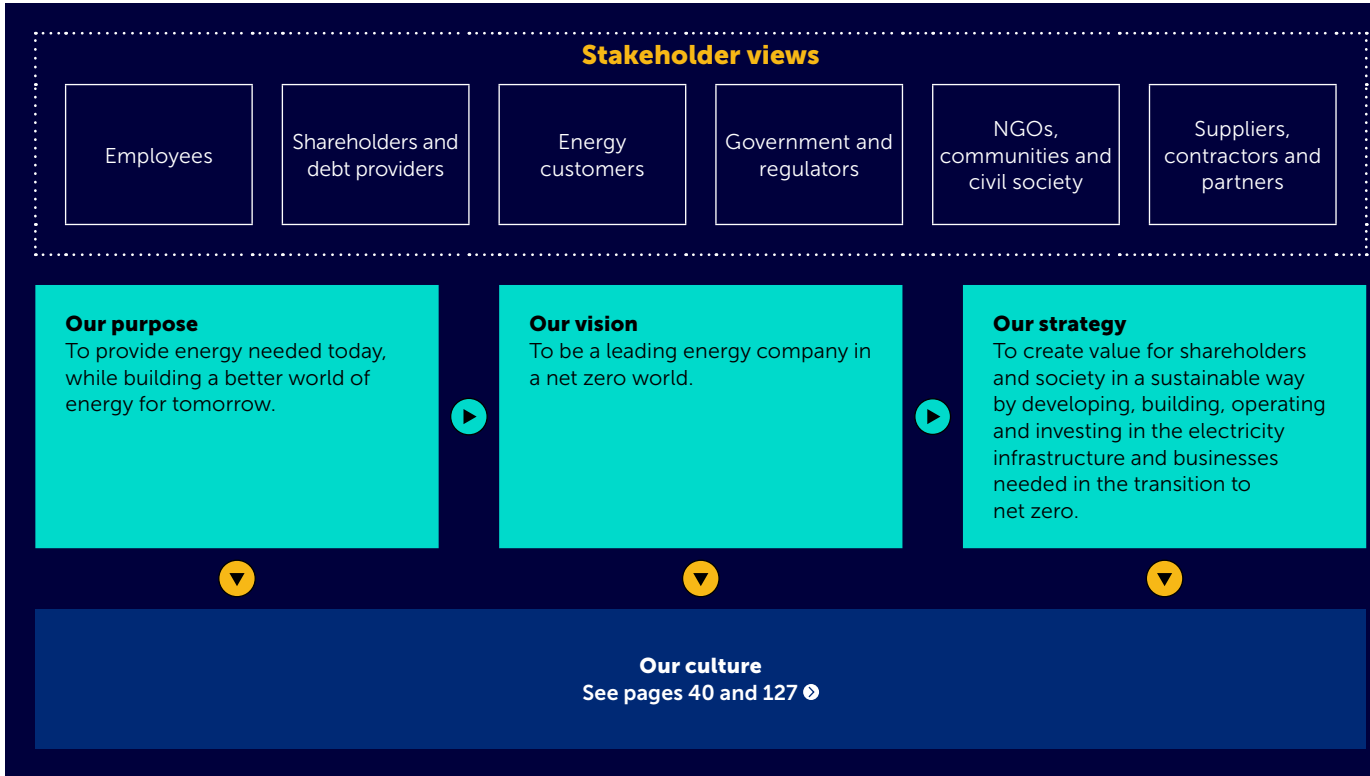
Stakeholder group	How we engage	What we've learnt was important
Employees		
<p>SSE's strategy and success are dependent on the shared talent, diversity, innovation, and values of the people it employs.</p> <p>See pages 38 to 45.</p>	<p>Board engagement</p> <ul style="list-style-type: none"> Employee-focused work by the non-Executive Director for Employee Engagement. Site visits and attendance at face-to-face and virtual events, allowing employees to engage directly with Executive and non-Executive Directors. Regular assessment and review of SSE's culture. <p>See pages 128 to 129.</p> <p>Group engagement</p> <ul style="list-style-type: none"> Employee voice soundings through the annual all-employee survey. Group-wide multi-channel employee listening and engagement strategy, which assesses employee sentiment at touchpoints through the employee life cycle. Analysis of data from exit surveys. Engagement with trade unions. 	<ul style="list-style-type: none"> Employee safety, mental wellbeing, support and resilience. SSE's employee offering, including reward, benefits, inclusivity, flexibility and career progression. Understanding of employee contribution to SSE's net zero strategy, ambitions and just transition approach. Giving all employees a voice and taking action in response to the all-employee survey findings. Continued engagement with senior leaders.
Shareholders and debt providers		
<p>SSE must be well-financed, with the ability to remunerate shareholders for their investment, secure debt at competitive rates and grow the business.</p> <p>See pages 130 to 131.</p>	<p>Board engagement</p> <ul style="list-style-type: none"> A programme of physical and virtual Director-investor meetings and roadshows. Direct engagement with the Board at the Annual General Meeting providing shareholders with the opportunity to ask questions via the hybrid meeting format. A dedicated virtual environmental, social and governance (ESG) seminar. Executive Director engagement with credit rating agencies used by debt providers. <p>See pages 130 to 131.</p> <p>Group engagement</p> <ul style="list-style-type: none"> Responding to queries from shareholders and debt providers and holding meetings with all types of investors. Engagement with equity research analysts and brokers. Engagement with ESG ratings agencies used by investors and debt providers to gauge sustainability credentials. 	<ul style="list-style-type: none"> Financial and ESG performance compared to market expectations. The effect of competition, cost pressures, and supply chain constraints on returns from renewables investments in GB, Ireland and new markets. Progress in delivering on the construction of large and complex capital projects. Political and regulatory risks and opportunities including the outcome of the UK General Election. Refinancing requirements, liquidity and the level of protection against interest rates. SSE's hedging position and exposure of the Group's earnings to energy commodity prices. Optimising capital allocation across SSE's Business Units. Understanding of the key drivers for SSE Thermal earnings over the medium term.

Stakeholder group	How we engage	What we've learnt was important
Energy customers		
<p>Consumers create demand for the energy and services SSE provides and set the tone for our purpose.</p> <p>See pages 33 to 35.</p>	<p>Board engagement</p> <ul style="list-style-type: none"> – Updates from SSE's customer facing Business Units on the influence of customer factors driving business direction and propositions. – Monitoring of performance to ensure delivery of an appropriate level of customer service and investment. – Updates on the response, and support being provided to customers, during storm events. <p>Group engagement</p> <ul style="list-style-type: none"> – Dedicated panels to consider the perspectives of vulnerable customers and forums to engage with large business customers. – Monitoring of a wide range of performance indicators and customer sentiment. – Working with third parties to actively identify and make provision for customer vulnerability, including through encouraging eligible customers to be added to the Priority Services Register. 	<p>Networks customers</p> <ul style="list-style-type: none"> – The impact of increased severe weather events with a focus on investment, communication, and vulnerable customer support. – Improved customer services and connection processes in SSEN Distribution. – Driving efficiency in the execution of RIIO-ED2. – The outcome of work by the regulator to identify, assess and confirm transmission investment options to support offshore wind development. – Engagement in SSEN Transmission's Customer Experience Strategy. <p>Energy supply customers</p> <ul style="list-style-type: none"> – Energy efficiency and decarbonisation measures for business and domestic customers. – Energy affordability and the available funds and support mechanisms. – Customer service experience including wait times and support.
Government and regulators		
<p>SSE relies on policy frameworks and public services that support investment in critical national infrastructure, are fair on customers and maintain the momentum behind net zero.</p> <p>See pages 19 and 30.</p>	<p>Board engagement</p> <ul style="list-style-type: none"> – Direct constructive engagement with UK Government, regulatory bodies and political stakeholders. – Overseeing the implementation of SSE's Political Engagement Policy and corresponding advocacy priorities. – Monitoring engagement activity and responses to regulators to ensure that strategic, financial, investment and operating frameworks remain aligned to the external landscape. <p>Group engagement</p> <ul style="list-style-type: none"> – Consistent engagement with senior government ministers, wider political stakeholders and regulatory officials in SSE's home markets of GB and Ireland, and in new jurisdictions where the development pipeline is expanding. – Contributing to policymaking process through responses to material consultations launched by government, parliamentary bodies and the regulator. – Regular engagement with EU policy makers and EU sector industry associations to provide feedback on key energy policies and respond to EU consultations. 	<ul style="list-style-type: none"> – Accelerating infrastructure delivery to improve energy security and decarbonise the sector. – Strategic investment in networks to facilitate net zero and improve energy resilience. – Evolution of the electricity market and support mechanisms to continue to deliver investment in UK energy infrastructure. – Evolution of the EU electricity market design and investment framework for renewables, including key principles to design national auctions.

STAKEHOLDERS AND SECTION 172 STATEMENT – CONTINUED

Stakeholder group	How we engage	What we've learnt was important
NGOs, communities and civil society		
<p>SSE needs the support of the communities it works in and the backing of civil society in pursuit of a just transition to net zero.</p> <p>See pages 36 to 40.</p>	<p>Board engagement</p> <ul style="list-style-type: none"> – Approves and receives updates on SSE's 2030 Goals aligned to the UN Sustainable Development Goals. – Considers the community impact and benefit of large capital projects including the approach to consultation. – Deepens understanding of local community priorities through site visits. – Oversees SSE's community investment model in GB and Ireland and approves underlying investment fund principles. <p>Group engagement</p> <ul style="list-style-type: none"> – Active promotion of key sustainable development frameworks, such as the UN's Sustainable Development Goals. – Partnerships with key NGOs which deliver additional social and environmental benefits for the communities in which SSE operates, some of which are publicly supported by senior leaders within SSE. – Supporting community projects to enhance the social economy. – Holding community consultation events to gather feedback on projects and business plans. – Sharing best practice and learnings with a range of stakeholders, including the Department for Energy Security and Net Zero (DESNZ) for onshore wind best practice guidelines. 	<ul style="list-style-type: none"> – Net zero transition planning, considering both social and nature interdependencies. – The cost of energy, particularly in the context of a cost-of-living crisis that is easing but nonetheless still felt by energy users. – Restoring nature, adding value to natural capital, and preventing harm to species and eco-systems. – The socio-economic impact of SSE's investments in communities that host low carbon infrastructure. – Policies and practices that support a just and fair transition to net zero. – Employment standards, including Living Wage, safe workplaces and inclusion and diversity. – Responsible behaviour of large businesses including tax policies and tax transparency. – Allocation and impact of SSE's community investments.
Suppliers, contractors and partners		
<p>SSE relies on a healthy supply chain and works with partners whose capabilities offer synergies for innovative project development and efficient ownership structures.</p> <p>See pages 27, 36 and 41.</p>	<p>Board engagement</p> <ul style="list-style-type: none"> – Executive Director meetings with strategic partners and suppliers. – Updates on joint venture project strategy and progress. – Reports on contractor safety performance and initiatives. <p>Group engagement</p> <ul style="list-style-type: none"> – Meetings with strategic suppliers to discuss material issues through SSE's well-established Supplier Relationship Management (SRM) programme. – Collaboration with suppliers and government on attracting inward investment. – Continued engagement through the CDP Supply Chain engagement programme. – The launch of the first report of the Powering Net Zero Pact initiative established with supply chain partners. 	<ul style="list-style-type: none"> – The management and mitigation of health and safety risks on SSE's sites. – The impact of supply chain constraints on large capital project delivery. – Economic opportunities in local supply chains. – Ensuring supply chain resilience and sustainability through the mitigation and management of key environmental and social impacts. – The approach to project decision and innovation. – Fair expectation in the delivery of projects and prompt payment.

How we take decisions



The Board context

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

Given the societal role of SSE's operations, a set of engagement priorities which cover the cross-cutting issues of energy security and affordability, the climate emergency, and the societal impact of net zero are approved by the Board each year to frame supporting activity across SSE. Those identified for 2024/25 are set out below.

- Continue to execute against NZAP Plus targets and support stakeholder value creation.
- Advocate for policy frameworks which support investment in net zero-infrastructure, seeking clarity during a UK General Election year.
- Garner societal support for, and continue to champion, a just transition to net zero.

How we consider the long term

As a long-term business, SSE's actions have far-reaching impact which is recognised in SSE's strategic approach of creating value for shareholders and society. The general principles laid out in Section 172 are therefore intrinsic to how SSE operates and are firmly embedded within SSE's culture. Four 2030 Goals and a clear net zero-focused strategy frame decision-making, and provide important interim milestones to 2050. These parameters, set by the Board, are reflected within strategy work and objectives, which extends to: capital investment; the Group budget; dividend plans;

and future resourcing requirements. SSE's Risk Management Framework, including the Group's Principal Risks, the identification of emerging risks, and the Group's Risk Appetite statement further shape long-term perspectives.

How we consider our operations and the environment

SSE recognises the serious threat that climate change poses to the natural world. Climate change features across many areas of the Board agenda, and SSE commits to open and transparent disclosure to allow proper assessment of its environmental performance and the potential impact of various climate scenarios on future financial performance. More can be found on [pages 24 to 32, 46 to 49 and 98 to 108](#).

How we consider business conduct

The Board leads and monitors SSE's culture, by setting the tone and framework within which agreed values and accepted behaviours can be embraced by employees. This includes doing the right thing, through responsible business conduct and making a positive difference for stakeholders. Supporting Board work is discussed on [page 127](#).

How we consider our key stakeholders

A description of how the Board considered stakeholder factors within a number of the key developments in 2023/24 is set out on [pages 124 to 125](#).

Assessing Board performance

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

The 2023/24 Board and Board Committee reviews were facilitated by Lintstock Ltd (Lintstock). The re-engagement of Lintstock for two years following the 2021/22 external performance review was agreed to provide consistent oversight of the actions and themes identified over a three-year time frame, and in advance of the next external process in 2024/25.

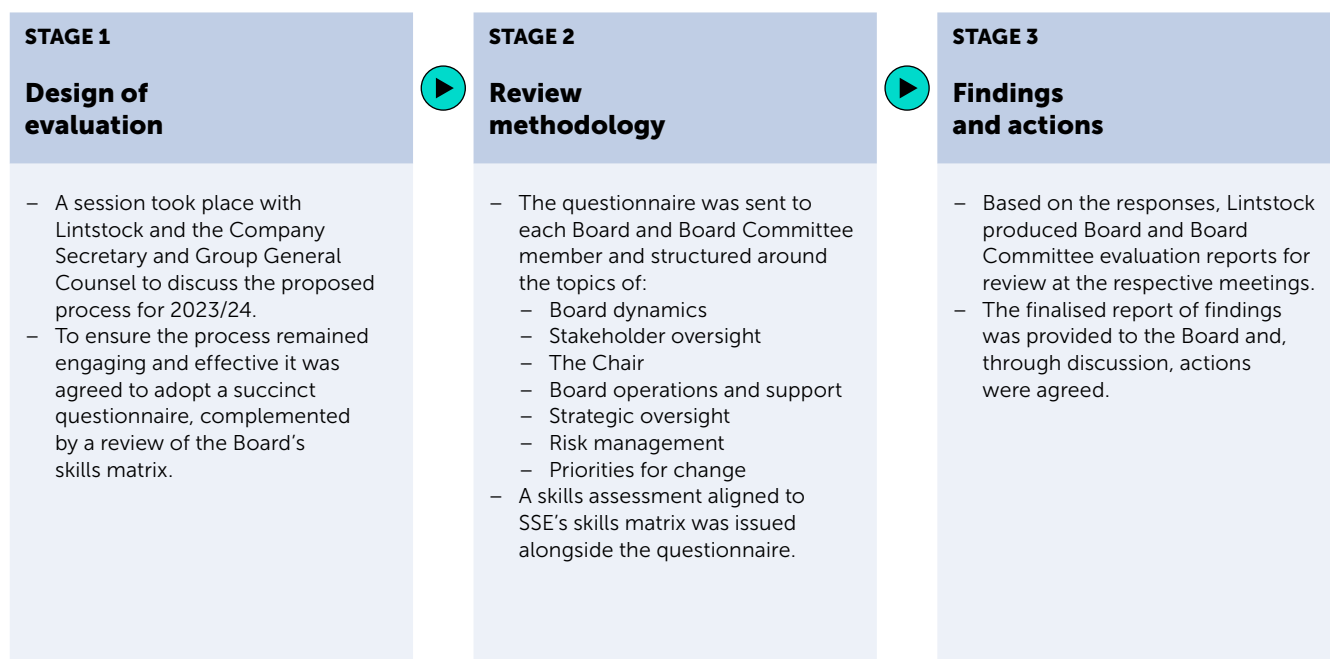
The methodology of the follow-up reviews were aligned to an internal evaluation and structured to allow areas requiring increased Board focus to be identified. In 2023/24, specific consideration was also provided to confirming SSE's skills matrix which is set out on [page 120](#).

Outside of the Board and Board Committee performance review work, there is no other contractual connection between SSE or the individual Directors and Lintstock.

2022/23 Findings and progress

Opportunities for refinement	Examples of outcomes
Enhancing contact with SSE's culture, senior teams, Business Units and strategic context	<ul style="list-style-type: none"> Pro-active scheduling and a forward-planner of site visits has been implemented and is available for the Board to view and attend (see page 128). Deep dives into projects and specific business areas remain a valued and key Board activity (see page 123). A review of the external environment based on sector performance and trends is prepared and presented by the Group Strategy Team as a standing item in the year.
Continued consideration of people issues	<ul style="list-style-type: none"> Diversity progress and ambitions continues to be reviewed by the Nomination Committee, and the Board agreed a target for ethnic minority representation for SSE's senior leadership (see page 143). The Board attended talent events (see pages 141 to 142) and conducted a programme of employee engagement (see pages 128 to 129).
Board composition	<ul style="list-style-type: none"> Barry O'Regan and Maarten Wetselaar joined the Board on 1 December 2023 and 1 September 2023 respectively, both of which have been supported by an agreed induction programme (see page 141). Helen Mahy assumed the role of Senior Independent Director on 1 November 2023 (see page 140).

2023/24 Board performance review process



2023/24 Findings and actions

The Board performance review identified progress across a number of key areas. To provide deeper insight into relative performance and the responses provided, the results were measured against an available external benchmark and the following areas highly rated: the support provided by the non-Executive Directors, the atmosphere in the Boardroom, and employee engagement and culture.

Whilst the Board was confirmed to be operating effectively, some opportunities for continued improvement and refinement were identified. A suite of actions was therefore agreed, against which progress will be tracked across 2024/25.

Opportunities for refinement	Commentary and actions
NZAP Plus execution and growth	<p>The results affirmed the critical objective of executing agreed plans and retaining a deeper understanding of future domestic and international markets.</p> <p>Actions agreed by the Board</p> <ul style="list-style-type: none"> – Continue to enhance oversight and engagement with management on NZAP Plus performance and execution. – Use project specific deep dives to assess how large capital project execution is being delivered against plan.
Enhancing stakeholder engagement	<p>Connecting with stakeholders was highlighted as a top priority, with feedback exploring further opportunities for Board engagement.</p> <p>Actions agreed by the Board</p> <ul style="list-style-type: none"> – Further evolve reporting on supply chain challenges within project deep dives and consider an appropriate opportunity for direct Board-supplier engagement. – Ensure exposure, discussion and debate surrounding policy and political developments is maintained.
Continued support for Board succession and changes	<p>Following a number of Board changes, it was agreed to maintain ongoing support for transitions in membership.</p> <p>Actions agreed by the Board</p> <ul style="list-style-type: none"> – Continue to review and ensure the effectiveness of short-, medium-, and long-term succession plans. – Continue to map Board skills, diversity and tenure with the support of the Nomination Committee to allow any potential gaps to be identified.

Board Committees

Each Board Committee was confirmed as providing effective Board support. Specific findings and the agreement of actions was overseen by each Committee Chair, with consideration of the overall findings of the Board. Details of actions and progress are set out in the reports across [pages 138 to 180](#).

Individual Director performance

Individual Director performance and contribution was assessed through one-to-one meetings with the Chair. These sessions allowed reflection on personal development and discussion of matters relevant to Boardroom culture and process. The findings, in combination with the individual skills (see [page 120](#)), time commitment and independence assessments (see [pages 140 and 141](#)) confirmed each Director continues to contribute positively.

Chair performance

The performance of the Chair was evaluated by the Senior Independent Director based on individual feedback and collective discussion from the non-Executive and Executive Directors.

This recognised the strength of inclusive leadership provided by the Chair; the safe environment he creates for authentic debate; and the enthusiasm he holds for the sector, making him a dedicated ambassador for SSE. His collegiate approach was noted to support engagement with the wider workforce and a constructive working relationship with the Executive Directors.

The outcome was agreement that the Chair continued to devote sufficient time to the role and demonstrated effective leadership of the Board.

Nomination Committee Report



Focus areas in 2023/24

- Reviewed Board composition and time commitment.
- Recommended an internal change in Senior Independent Director.
- Recommended adoption of an ethnicity target for senior leadership.
- Recommended updates to the Board's Inclusion and Diversity Policy.

Dear Shareholder

The Committee has continued to provide focus on maintaining strength of leadership for SSE, aligned to the skills, experience and diversity needed to support growth and delivery. Our skills matrix is tailored to SSE's strategic situation and was reaffirmed through the Board performance review as the correct view of the capabilities the Board requires. These skills are mapped to tenure and key Board roles to inform plans for orderly succession and any required changes to Board composition.

A number of successful transitions in Board membership were made across the year, which followed on from succession planning and Board recruitment work in 2022/23. We were pleased to welcome Barry O'Regan as Chief Financial Officer on 1 December 2023, when Gregor Alexander retired from the role of Finance Director. Maarten Wetselaar joined us as a new non-Executive Director on 1 September 2023. And Liz Tanner became Company Secretary in addition to her role as Group General Counsel on 1 August 2023 upon the retirement of Sally Fairbairn as Company Secretary and Director of Investor Relations. Following nine years' service, Peter Lynas stepped down from the Board on 20 July 2023. We thank Gregor, Sally and Peter for their contribution to SSE over their respective careers and Board tenure.

We believe the changes which have been completed maintain depth of financial and energy leadership and bolster our international outlook. Looking forward,


Role of the Committee

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

- **Board leadership.** Identifies the skills, knowledge and experience required for the effective leadership and long-term success of SSE, managing the balance of competencies through succession planning, knowledge development and recruitment.
- **Board Committees.** Reviews the size, structure and composition of the Board's Committees to ensure appropriate support now, and going forward.


- **Talent pipeline.** Monitors the senior leadership pipeline and initiatives to develop internal capability, engaging in leadership programmes.


- **Inclusion and diversity.** Through the Board's Policy, considers the perspectives and attributes across the Board and senior leadership and confirms ambitions and work to drive progress.

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

Membership and attendance

The membership of the Committee comprises the non-Executive Directors and the Chair of the Board, who is Chair of the Committee. The Company Secretary and Group General Counsel is Secretary. Where appropriate, the Executive Directors are invited to attend meetings.

Biographical details of the Committee members can be found on [pages 116 to 119](#) .

The Committee met seven times in 2023/24 with attendance on [page 122](#) .

we will continue to appraise how Board skills and membership should evolve in response to the operating environment and SSE's long-term direction.

Within our Board Committees, John Bason became Audit Committee Chair on 21 July 2023 and Melanie Smith became Remuneration Committee Chair on 1 April 2023. Both positions have been supported by a comprehensive induction and handover process.

Guided by our Board Inclusion and Diversity Policy, we have continued to assess how diversity is represented across Board membership. Currently, the Board comprises 42% women and we have one Director from an ethnic minority background. To further progress, we considered options to meet the FTSE Women Leader's Review recommendation for female representation within key Board roles. This gave rise to a change in the Board member appointed as Senior Independent Director with Helen Mahy assuming the role on 1 November 2023. In line with this change, and to further evidence our existing approach to diversity within the Board Committees, a number of corresponding updates were made to the targets within our Board Inclusion and Diversity Policy.

We remain equally focused on progress within our senior leadership population and have reviewed talent pipelines and the actions which continue to be pursued to enhance diversity below Board level. A key area of discussion was an appropriate ambition for ethnic minority representation within the Group Executive Committee and its direct reports for achievement by 2027, to sit alongside our existing gender target for this group. A level of 6% was endorsed by the Committee and was agreed in consideration of the current position within SSE, the industry, and operating geographies.

Further detail on the above developments and the work of the Committee in 2023/24 is detailed in the report which follows, which I hope provides a clear account of how we have continued to fulfil our responsibilities in respect of people matters.

Sir John Manzoni
Chair of the Nomination Committee

21 May 2024

Committee evaluation

The annual review of Committee performance was facilitated by Lintstock (see [pages 136 to 137](#)) and the outputs considered by the full Committee. This confirmed the Committee's continued effective operation and agreement of actions for 2024/25.

Evaluation confirmed	<ul style="list-style-type: none"> The Committee has continued to progress and strengthen work on areas within its remit. A strong balance of skills and experience has been achieved across Board membership. Good challenge has been applied to work on talent pipelines with an enhanced focus on diversity.
Actions for 2024/25	<ul style="list-style-type: none"> Board composition. Continue to build optionality and depth across succession plans through internal pipelines and understanding of the external market. Talent engagement. Maintain engagement with the internal talent pool and provide time for this population to connect with Board members. Inclusion and diversity. Prioritise diversity for continuous improvement with a focus on ethnicity and understanding of wider diversity characteristics where possible.

Board leadership

Ensuring strength of composition

The composition of the Board is informed by plans for orderly Board succession across Board and Committee roles. Across 2023/24, the skills, experience and diversity of the Board continued to be assessed against the criteria the Committee believes is needed to set and challenge strategy and understand changes in SSE's complex operating context. The Board's skills matrix confirms what these attributes are and is supplemented by the view of Board diversity – both of which are set out on [page 120](#). Skills and diversity continue to be mapped against the view of Board tenure, to understand the impact of any planned departures on Board balance.

A number of key succession planning activities were agreed in 2022/23 that came into effect in the year, as a result, there was no new recruitment activity completed by the Committee in 2023/24. The main objectives were instead to identify what future Board skills and recruitment may be required, and to ensure a successful transition across the changes in Board membership which have taken place.

Previously agreed changes 2023/24

On 1 September 2023, Maarten Wetselaar joined the Board as a non-Executive Director. This followed a search centred on experience of large capital projects; operation, development, or construction of renewable energy; international business and mergers and acquisitions; and engagement with capital markets. Maarten brings distinct and additive international energy leadership and related perspectives to the Board, with breadth and depth of experience across conventional and new energy projects. His expertise across business growth and portfolio transformation, and working knowledge across capital and commodity markets, remain key to SSE's growth and strategy.

On 1 December 2023, the transition in the role of Finance Director to Chief Financial Officer saw Barry O'Regan join the Board and Gregor Alexander retire after 32 years' service with SSE and 21 years as Finance Director. This change was supported by a comprehensive selection process which involved both internal succession plans and an external search. Barry was previously Finance Director, SSE Renewables and had responsibility for corporate finance across the SSE Group. He possesses substantive financial and energy sector experience from a 19-year career and brings his own strengths to the financial leadership and

growth of SSE, having been integral to the reshaping of the Group and overseeing many of SSE's large capital investments.

On 20 July 2023, following completion of nine years' tenure, Peter Lynas stepped down from the Board. The succession plan for the role of Audit Committee Chair was addressed through the appointment of John Bason on 1 June 2022.

On 1 August 2023, Liz Tanner assumed the role of Company Secretary in addition to her General Counsel responsibilities. This followed the retirement of Sally Fairbairn as SSE's Company Secretary and Director of Investor Relations, at which time, the position of Director of Investor Relations became a separate role within the Investor Relations Team.

Board appointment process

A considered process supports directorate appointments to the Board and is set out below. It is bolstered by SSE's Board Inclusion and Diversity Policy, which drives action to promote diverse appointments and inclusive recruitment. This includes using gender neutral language to ensure role specifications are accessible to a wide range of candidates and engaging those who are signatories to the enhanced voluntary code of conduct for executive search firms. As SSE champions a culture

Board appointment process

Stage 1

Confirm objective of the process and role specification.



Stage 2

Engage an external recruitment firm and set out process.



Stage 3

Assess how the specification can be met through a longlist.



Stage 4

Review technical and cultural fit to agree a shortlist.



Stage 5

Identify the preferred candidate to recommend to the Board.

NOMINATION COMMITTEE REPORT – CONTINUED

which embraces difference, organisational fit remains a key parameter in addition to technical capability. More on inclusion and diversity, and the Board's Policy can be found on [pages 142 to 143](#).

Details of how this process resulted in the appointment of Maarten Wetselaar and Barry O'Regan can be found in the Nomination Committee Report 2023.

Board Committees and key roles

Board Committee membership and the appointment of key Board roles is designed around the following principles:

- to ensure alignment between skills and specific Committee and individual responsibilities;
- to prevent undue reliance on the capacity of any Director; and
- to comply with recognised guidance including the UK Corporate Governance Code (the Code).

Changes can be recommended to support succession plans, in line with new Board appointments, or in response to the annual review of Board composition. In 2023/24, the following changes which had been previously approved by the Board took place.

Under the succession plan for the Board roles held by Dame Sue Bruce, on 1 April 2023, Melanie Smith assumed the role of Remuneration Committee Chair and Lady Elish Angiolini became SSE's non-Executive Director for Employee Engagement.

In line with his appointment as Audit Committee Chair designate, John Bason took on the role of Audit Committee Chair on 21 July 2023, and joined the Remuneration Committee in advance of this date on 22 May 2023.

On appointment, it was agreed Maarten Wetselaar would join the Nomination Committee, Audit Committee and Energy Markets Risk Committee.

Senior Independent Director change

A recommendation was made in the year to make an internal change in SSE's Senior Independent Director, with Helen Mahy taking on the position in a handover from Tony Cocker.

This resulted from continued work on inclusion and diversity and assessment of stakeholder perspectives surrounding female representation within Board roles.

The approval provided by the Board is consistent with SSE's desire to support progress under the Board Inclusion and Diversity Policy, and is reflective of the strength of SSE's Board composition which provides optionality for the role.

Helen possesses depth of understanding of SSE's operations and is supported by an executive legal career in the sector, alongside an extensive portfolio of non-Executive listed company experience. Rising investor interest in sustainability matters aligns with Helen's role as Chair of the SSHEAC, and her involvement in external equality, inclusion and diversity initiatives.

The change in Senior Independent Director took effect from 1 November 2023, with Helen and Tony's other Board and Committee roles remaining unchanged.

Time commitment

The expected time commitment of the Chair and non-Executive Directors is agreed and set out in writing in a Letter of Appointment. This is issued following confirmation of an individual's capacity to take on the role and involves an assessment of existing external commitments and demands on time. On joining the Board, additional external appointments require Board approval, and remain subject to review of the individual circumstances of the request being made. The acceptance of an external appointment by an Executive Director also requires Board consent.

In the year, approvals were provided for Sir John Manzoni, Melanie Smith, Dame Angela Strank and Tony Cocker. In each case, the Committee sought a declaration of Director capacity, assessed the time commitment the position would require, and reviewed relevant proxy guidance and investor policies. For Sir John Manzoni, it was agreed that until he assumed the position of Chair of Diageo plc, which is expected to be around 5 February 2025, there would be no change in his current roles nor the time expended across them. The Board was satisfied that in advance of February 2025, changes would be made across John's portfolio of commitments, to allow him to proceed with the new position. All of the above appointments were approved, with it agreed there would be no impact on any individual's SSE Board role.

To enhance continued monitoring, and as an extension to existing process, the Committee further evolved its annual review of external appointments to include the time commitment associated with each role. This continues to be supported by the assessment of Director and Board performance within the annual performance review process. Together, this concluded there were no concerns with the overall portfolio of any Director.

Director re-appointment

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

Extensions recommended, and approved in the period, were a third three-year term for Tony Cocker and a second three-year term for Sir John Manzoni. In line with standing practice, each decision was supported by the continuing independence, experience, and contribution that each Director brings to both Board and Committee work. Each Director abstains from discussion and approval of their own re-appointment.

Conflicts of interest and independence

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

This process informs the simultaneous assessment of a non-Executive Director's independence, as following the absence of any conflict, the Committee reflects upon the outcome of each individual Director's performance evaluation (see [page 137](#)) and the circumstances set out in the Code which could compromise an individual's position.

Following review in 2023/24, and to the exclusion of the interested Director in each case, the Committee recommended, and Board confirmed: updates to the Conflicts of Interest Register; the continuing independence and objective judgement of each non-Executive Director; and the overall independence of the Board in line with the recommendations of the Code.

Additional safeguards to support Director independence continue through:

- Meetings between the Chair and the non-Executive Directors, individually and collectively, without the Executive Directors present.
- Separate and clearly defined roles for the Chair, as head of the Board, and the Chief Executive, as head of executive management (see [page 182](#)). This division of responsibility is supported by a degree of contact outside of Board meetings to ensure an effective ongoing dialogue and channel for the timely escalation of external or internal developments.

Director induction

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

The agreed induction for Maarten Wetselaar comprised a balance of knowledge-based sessions with internal functions and external advisors, in addition to employee engagements to provide exposure to SSE's culture and working environment. Delivery has been in phases with information material to the non-Executive Director role provided in the early stages.

Barry O'Regan's induction to the Board and role of Chief Financial Officer was an externally-facilitated session with SSE's legal advisors. Recognising Barry's in-depth knowledge of SSE and the relationship with the investment community, brokers and the External Auditor, the session focused on: the role and duties of a listed company Director; pertinent legal and regulatory frameworks and developments; and an overview of the corporate governance landscape.

Maarten Wetselaar induction programme

Areas covered	Sessions by
SSE's purpose, strategy, operating context, and business model	Chief Executive Director of Corporate Affairs, Regulation and Strategy MD of each Business Unit
Financial performance and strategy, funding, assurance, and investment community	Finance Director and incoming Chief Financial Officer Director of Investor Relations
Energy sector and trends, SSE's energy portfolio and long-term energy markets	Chief Commercial Officer
Corporate affairs, policy and stakeholder engagement	Director of Corporate Affairs, Regulation and Strategy Group Director of Corporate Affairs
Net zero transition, sustainability and ESG	Chief Sustainability Officer
Safety, health and the environment, and SSE's people and culture	Group Safety, Health and Environment Manager Director of HR
Corporate governance, Board operations, and legal and regulatory views of the external environment	Company Secretary and Group General Counsel Deputy General Counsel Deputy Company Secretary
IT and cyber security	Group Chief Information Officer Chief Information Security Officer Chief Technology Officer

To accompany the changes in Audit and Remuneration Committee Chair in the year, meetings were arranged with key personnel who would interface with each role. Sessions covered pertinent inputs to Committee business, current trends and issues in the areas relevant to the work of each Committee, and allowed time to discuss the approach to Committee ways of working.

Board knowledge and training

Any Director can request further information to support their individual duties or collective Board role. The arrangements are overseen by the Company Secretary and Group General Counsel, and can be internally or externally facilitated. More information on sessions held in 2023/24 are on [page 125](#).

Through SSE's mandatory training programme, all Directors are requested to refresh their understanding of current obligations and recent developments in areas pertinent to their role. These modules address, among other matters: Directors' Duties; competition law; anti-money laundering and financial sanctions; data protection; and inclusion and diversity.

To remain abreast of, and connected to, broader societal trends, expectations and issues, the Directors are encouraged to participate in seminars and events hosted

by external organisations. Discussion with peers, other sectors, and individuals in different professional and personal situations, is viewed as an opportunity to develop broader perspectives and insights, which can translate into different thinking styles and new debate within Board discussions.

Organisational capability and development

With Group HR, the Committee assesses talent and succession across two key areas.

Succession planning. The Committee reviews the existing internal pipeline of talented individuals for 'ready now' and medium- to longer-term movement into key leadership and functional roles – including the Executive Directors, Group Executive Committee and Business Unit and Corporate Function leadership teams. This is subject to routine challenge to understand timing and readiness, alongside the breadth of internal potential, and experience represented by recent hires and external talent pools.

Building capability and capacity. The Committee considers targeted development and investment to build capability for the future, alongside the improvements in succession depth which are being delivered across tailored leadership interventions.

NOMINATION COMMITTEE REPORT – CONTINUED

A number of external providers continue to support the above initiatives, which are designed to deliver the education, exposure, and experience required to deliver SSE's NZAP Plus. The Committee has continued to oversee talent programme participation and internal moves to stretch and develop future leaders, with an area of emerging focus being increased emphasis on learning and supporting career aspirations. This has resulted in the roll-out of a new SSE-wide performance management framework and learning pathways to support the critical capabilities SSE requires now and in the future.

Across the year, each member of the Committee attended talent sessions to share leadership experience with the talent pipeline and to allow the opportunity to engage in an informal setting. Outside of these sessions, engagement and exposure occurs through inviting colleagues to present at Board-level meetings, and through non-Executive attendance at business-led sessions and internal conferences. The open two-way dialogue is a key tool for observing and informally coaching emerging talent.

Coaching SSE's talent pipeline

Lady Elish Angiolini and SSE's Chief Commercial Officer participated in SSE's 2023/24 Career Development Programme, which is designed to develop leadership readiness and involves participation from individuals across all of SSE. Within the initial stages, the Chief Commercial Officer provided a leader's perspective of SSE's strategic situation as part of a session which explored the dynamic external landscape. Then together, with members of the Group Executive Committee, Lady Elish and the Chief Commercial Officer participated in an informal panel discussion on career pathways, followed by break-out discussions surrounding candidate experiences of SSE and current leadership challenges. Feedback provided insight into the SSE leadership journey and the impact of talent interventions.

Inclusion and diversity

SSE's Group-wide inclusion and diversity strategy is explained across [pages 44 to 45](#) and in [SSE's Inclusion and Diversity Report 2024](#) available on [sse.com](#).

Board Policy

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

Policy implementation is assessed through the specific review of the diversity characteristics which are present across Board and Board Committee membership, and by assessing progress and compliance against the targets it has set. More on SSE's Board Policy and targets is set out opposite. Through standing review of the policy during the year, a number of updates were approved. These centred on maintaining progress surrounding female representation in key Board roles and bringing alignment with pre-existing work on diversity within the Board Committees.

Senior leadership ambitions

Below Board-level, the Committee provides specific focus to the diversity of SSE's senior leadership and pipelines, including the recommendations of external initiatives and shareholder views. To identify levers for progress, close work has continued with the Executive Directors and Group HR to develop clear action plans which are underpinned by stretching ambitions. More detail on these ambitions and progress can be found on [page 45](#).

In a commitment to providing counsel on SSE's approach, the Nomination Committee has reviewed diversity strategy and scorecards, covering:

- progress across ambitions and steps being taken to further an integrated business and leader-led approach to SSE's inclusion and diversity strategy;
- the foundations and strategic pillars of the two-year strategic inclusion and diversity plan;
- assurance activities which had been completed surrounding SSE's inclusion and diversity strategy; and
- continued focus on improving disclosure rates.

With strong support for the enhanced and increased frequency of contact with the executive teams, actions were reset through the 2023/24 Board evaluation for further work across the coming year.

Committing to enhanced ethnic minority representation

In response to the Parker Review recommendation for FTSE 100 companies to establish a target for ethnic minority representation within senior management, to be achieved by December 2027, the Committee reviewed SSE's position and an appropriate ambition to work towards. Considering existing baselines within SSE, the industry, and operating geographies, a level of 6% was endorsed. Progress will be monitored to ensure this target remains both credible and appropriately stretching. More detail on how this level was set can be found on [page 45](#).

Board engagement on inclusion and diversity

Committee members have proactively engaged with all of the co-leads of SSE's employee-led Belonging in SSE communities and responded to requests for Board-level views and engagement on inclusion and diversity issues and approaches. This included a virtual Equity, Diversity and Inclusion (EDI) session with the Chair and employees from the SSEN Distribution business. The Chair shared his experiences of the approach and progress made in other organisations and listened to employee views on their personal experiences in SSE and areas for continued focus and improvement. Committee and Board endorsement for initiatives in this space was reconfirmed during the session, which included support for plans to recruit additional SSEN Distribution employees to act as EDI ambassadors. Feedback was also shared around the focus needed to ensure key messages and initiatives reach employees working across diverse operational and office locations.




Board inclusion and diversity

Board Policy

How the policy links to strategy

People are at the heart of the transformational change needed to achieve net zero, and SSE believes innovative solutions to climate change require diverse perspectives, experiences, and skills. The principles of equality, fairness, inclusion and diversity must be at the centre of everything it does, with SSE's teamwork value confirming we work together in an inclusive and collaborative way.

Policy principles

- Identify Board and Committee needs and the balance of diversity characteristics.
See [page 139](#) .
- Adopt a formal and inclusive Board recruitment process.
- Engage executive search firms who are signatories to the enhanced code of conduct and discuss ambitions for diverse candidate lists.
- Recruit on an objective and shared understanding of merit.
See [page 139](#) .
- Nurture an inclusive Board and Committee culture.
- Oversee work to develop a diverse talent pipeline.
- Be aware of stakeholder expectations and challenge targets in wider strategy.
See [pages 127, 141 and 142](#) .

Policy targets

- An ultimate goal of enduring gender parity, whereby the Board commits to female representation of not less than 40%, with the aim to maintain as close to 50% male and female representation as possible on a rolling basis.
Target met. 42% women on the Board as at 21 May 2024. 45% rolling three-year female representation as at 31 March 2024.
- Have at least one woman in the roles of Chair, Senior Independent Director, Chief Executive or Chief Financial Officer.
Target met. The role of Senior Independent Director is held by a woman.
- The Board should have at least one Director from an ethnic minority background.
Target met. One ethnic minority represented across Board membership.
- Have at least one woman as a member of each of the Board Committees.
Target met. At least two women sit on each of the Board's Committees.

Compliance against LR 9.8.6

As at the Company's chosen reference date, 31 March 2024, SSE confirms it has met the targets set out under FCA Listing Rule 9.8.6(9). In line with LR 9.8.6(10), as at the reference date, the composition of the Board and Executive Management was as follows.

Gender (sex)

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management ¹	Percentage of Executive Management ¹
Man	7	58%	3	9	90%
Woman	5	42%	1	1	10%

Ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management ¹	Percentage of Executive Management ¹
White British or other White (including minority-white groups)	11	92%	4	10	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	1	8%	–	–	–
Not specified/prefer not to say	–	–	–	–	–

¹ Executive management within SSE is the Group Executive Committee including the Committee Secretary.

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

Audit Committee Report



Focus areas in 2023/24

- Ensured business performance was fairly presented in financial reporting.
- Oversaw delivery of the internal control framework for financial reporting.
- Supported the transition in Audit Committee Chair and Chief Financial Officer.
- Established an assurance framework over non-financial reporting.
- Monitored SSE's GB Business Energy's transition to a new billing platform, Evolve.

Dear Shareholder

I'm pleased to present my first Audit Committee report as Committee Chair, having taken on the role from Peter Lynas on 20 July 2023. I joined the Board, and became a member of the Committee in June 2022, and during the period prior to my appointment as Chair, I focused on familiarising myself with SSE and its financials. I would like to not only thank Peter for his support during this transition, but also especially recognise his 9-year service to the Audit Committee in his role as Chair.

The full contribution of Gregor Alexander, who stood down as Finance Director in December 2023, is detailed in the Chair's statement. The Audit Committee for many years has had the benefit of his in-depth knowledge of SSE, the external environment in which it operates, and his many years of experience in finance. He was succeeded by Barry O'Regan as Chief Financial Officer. Barry is a hugely capable successor and brings with him a breadth of knowledge and experience of both SSE and 19 years of experience in the energy sector and finance.

This was the fifth year that EY served as the External Auditor, and it was Annie Graham's last year as the lead audit partner. I oversaw the audit partner rotation process with Will Binns appointed as lead audit partner from the 2024/25 audit. I thank Annie for her

Role of the Committee

The Audit Committee provides dedicated focus in the following areas.

Financial reporting

- Ensures the integrity of the Financial Statements.
- Assesses the appropriateness of accounting policies and practices.
- Evaluates significant financial judgements and estimates.
- Advises the Board on the fairness, balance, and comprehensibility of the Annual Report and Accounts.

External audit

- Monitors the independence of the external auditor.
- Oversees the non-audit services policy.
- Assesses the external audit.

- Recommends to the Board actions relating to the external audit contract, appointment, remuneration and engagement terms.

Internal audit

- Approves and oversees the implementation of the Internal Audit Plan.
- Assesses the effectiveness of the Internal Audit function.

Internal control and risk management

- Monitors risk management and SSE's System of Internal Control.
- Reviews the going concern and long-term viability statement.

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

Membership and attendance

The membership of the Committee comprises five non-executive Directors. John Bason and Debbie Crosbie are considered by the Board to have recent and relevant financial experience. The Committee as a whole has competence relevant to the sector, with three

members having significant experience in the energy sector.

Biographical details of the Committee members are found on [116 to 119](#) .

The Committee met four times in 2023/24 with attendance set out on [page 122](#) .

strong leadership of the EY audit team and for providing visible and effective oversight of the external audit.

This report details the Group's Risk Management Framework and System of Internal Control, highlighting the progress made to enhance the assurance provided to the Committee and the Board. It also outlines the Committee's work to assure the integrity of the Annual Report and Financial Statements for the year ending 31 March 2024.

We recognise the importance of non-financial reporting and its value in providing insight to shareholders and other stakeholders into SSE's performance. As outlined further in this report, this year, the Committee has assumed responsibility for the monitoring of the key non-financial reporting performance metrics and ensuring that appropriate assurance of these metrics is in place.

We are committed to enhancing internal controls to protect SSE's shareholder interests now and in the future. During the year, we oversaw the design and implementation of a programme to assess and strengthen our financial controls, and which will enable us to comply with the regulatory reform which will apply to SSE's financial year ending 31 March 2027.

The Committee will oversee the ongoing implementation and the maturity of the financial reporting controls framework. This will be a key focus area in the years ahead.

The Committee also monitored the processes and controls relating to SSE's GB Business Energy's transition to a new billing platform, Evolve. Further details on the Committee's role is set out within this report.

Finally, I would like to welcome Maarten Wetselaar who joined as a Committee member in September 2023.

The report which follows is split by the following areas:

- Governance;
- Financial reporting;
- External audit;
- Internal audit; and
- Internal control and risk management.

I hope you find this report informative and reflective of the Committee's work this year.

John Bason
Chair of the Audit Committee

21 May 2024

Committee evaluation

The annual review of Committee performance in 2023/24 was facilitated by Lintstock (see [pages 136 to 137](#)), and the Committee considered its output and agreed follow-up actions for 2024/25.

Actions identified by the 2022/23 evaluation included supporting the new Audit Committee Chair and further developing risk management and internal controls. These actions have advanced well in the year and will stay on the Committee’s agenda for the year ahead.

Evaluation confirmed	– The evaluation confirmed that the Committee was operating effectively to meet its responsibilities, and the Board endorsed this view.
Actions for 2024/25	– Internal Audit. To make the reporting of the work of Internal Audit and its plans more accessible. – Knowledge. To increase the awareness and knowledge of Business Unit Finance Teams through presentations and reports from different Business Unit Finance Directors. – Non-financial metrics. To review, enhance and assure metrics for non-financial reporting.

Governance

Meeting process

The Committee has a structured plan of meeting topics, which maps to the Group’s yearly financial reporting cycle. It reviews the plan and updates it as needed to adjust the focus of meetings. Committee work is concentrated on the key areas of financial reporting, external audit, internal audit, internal control and risk management.

To support effective governance and quality reporting, each meeting follows a set process:

- Before each meeting, the Committee Chair meets with the Chief Financial Officer, Director of Group Risk and Audit, EY (the ‘External Auditor’), and the Deputy Company Secretary (the Committee Secretary). This pre-meeting ensures the Committee meetings are focused on key and emerging issues.

- Each Committee meeting is joined by the Board Chair, Chief Financial Officer, Director of Group Risk and Audit, the External Auditor and Committee Secretary. Senior finance and business managers are invited to some meetings to provide insight about specific business matters.
- All Committee meetings are scheduled before Board meetings to enable the Committee Chair to report to the Board and ensure an efficient and timely reporting process.

The Committee also has private meetings with the Director of Group Risk and Audit and with the External Auditor at least two times a year, in line with the financial reporting schedule. These allow open dialogue and feedback without management being present.

Financial reporting

Financial statements

This Annual Report aims to provide the information needed to assess SSE’s position and performance, business model and strategy. The Finance Team worked alongside the External Auditor to make sure the level of disclosure was adequate and the alternative performance measures (APMs) were appropriate and consistent with IFRS.

The Committee reviewed the Half- and Full-year Financial Statements and considered several areas of significant financial judgement. It considered and discussed detailed reporting by management and the External Auditor to apply appropriate rigour to these areas. The Committee recommended to the Board the approval of the Financial Statements, the going concern statement, and the letter of representation to the External Auditor.

The Independent Auditor’s Report on [pages 324 to 335](#) sets out the approach to key audit matters.

Enhancing the approach to assuring non-financial information

The Committee continues to oversee work to enhance SSE’s integrated assurance approach over non-financial information as a number of voluntary reporting frameworks transition into regulatory requirements. A dedicated update in the year confirmed:

- the assurance activities currently adopted across SSE’s principal non-financial reporting topics; and
- ongoing work to understand changing stakeholder expectations and needs in relation to non-financial disclosures.

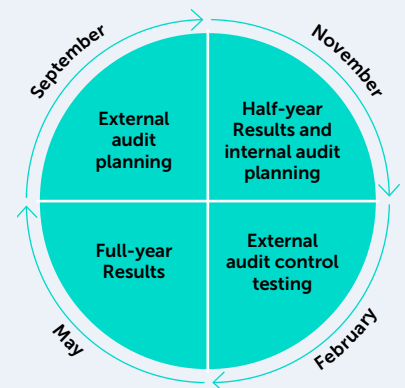
This dynamic approach will ensure future and emerging developments are understood and implemented in an enduring and proportionate way across

existing risk, governance and assurance processes. For the year ahead, the Committee will:

- continue to monitor the ever-changing regulatory landscape and any implications it has for SSE; and
- oversee the development and strengthening of a pragmatic and proportionate approach to SSE’s governance, controls and integrated assurance over non-financial reporting.

Further details on non-financial and sustainability information, can be found in the related statement on [page 108](#).

Financial reporting and audit cycle



AUDIT COMMITTEE REPORT – CONTINUED

Climate-related disclosures

The Committee plays a key role in overseeing and challenging SSE's climate related disclosures in both Half- and Full-year Financial Statements.

Senior management briefed the Committee on climate-related risks and opportunities and assurance arrangements in relation to climate-related disclosures.

The Committee makes recommendations to the Board as to whether these disclosures are fair, balanced and understandable in the context of SSE's Annual Report.

The Committee approved SSE's approach to integrate its climate-related disclosures throughout the Annual Report 2024 to make them more accessible and reflective of SSE's holistic approach to managing climate-related issues.

For further details, please see the Disclosure Statements outlined on [pages 98 to 109](#).

The Committee also considered climate change and SSE's NZAP Plus in the preparation of the Financial Statements in order for it to approve the significant financial judgements and estimates.

Viability statement and going concern

The Committee reviewed and challenged management's assessment of SSE's long-term viability. The Committee was satisfied that the viability assessment process was robust and a 4-year assessment period remained appropriate.

The Committee also examined the supporting information to make a recommendation to the Board on Going Concern. The Directors concluded that both the Group and SSE plc as the parent company have sufficient headroom to

continue as a Going Concern. In coming to this conclusion, the Directors considered sensitivities on future cashflow projections. In the unlikely event of not being able to access the revolving credit facility or otherwise refinance as required, the Group would be able to defer uncommitted capex, delay or defer dividend payments, and implement further cost reductions.

The Financial Statements are therefore prepared on a Going Concern basis (see [A6.3](#) Accompanying Information to the Financial Statements).

Significant financial judgements and estimates

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

In consultation with the External Auditor, the Committee reviewed the significant financial judgement areas and identified five specific areas for 2023/24.

The Group's most significant financial judgement areas, some of which are also areas of estimation uncertainty, are outlined on [pages 147 to 148](#).

The Committee considered the key facts and judgements outlined by management; and the External Auditor gave its professional view of the appropriateness of the judgements.

The Committee particularly considered how management's judgement and assertions were challenged by the External Auditor and the degree of professional scepticism

shown during their audit of these areas. This included the adequacy of disclosures in the financial statements.

GB Business Energy's system transition

A significant area of focus for the Committee was monitoring the transition to a new billing platform, Evolve, for SSE's GB Business Energy which was successfully completed in 2024. Throughout the year, the Committee examined the controls and key business processes, which included the migration of data (customer accounts and balances). Updates were provided by both senior management on progress and the External Auditor on testing carried out. The Committee was satisfied that no significant audit or control deficiencies were identified.

The Committee also considered in the preparation of the Financial Statements the estimates in relation to the accrual for unbilled sales due to the timing of the data migration. The migration occurred in the second half of the financial year for the majority of SSE's GB Business Energy customers. This resulted in a high level of unbilled sales and required a level of judgement applied in determining the sales accrual for these customers was higher than in previous years. The Committee approved that the Group recognised a provision against this accrual to reflect that customer billing delays may result in poorer collection performance. Further details are set out in the Significant financial judgement and estimates table opposite.

For the year ahead, the Committee will continue to monitor the processes and controls to ensure they are operating effectively given the high volume of data migrated.

Assuring that this report is fair, balanced and understandable

Process

The Committee advise the Board and help the Directors to make sure the Annual Report is fair, balanced and understandable.

To evaluate whether the Annual Report is fair, balanced and understandable, and gives shareholders the necessary information to assess SSE's performance, business model and strategy, the following actions were taken:

- Factual content was thoroughly verified;
- The External Auditor reported on any material inconsistencies; and
- Comprehensive reviews were undertaken during the drafting process by:
 - The Directors and senior management team to make sure key messages in the Annual Report were in line with the Company's performance and strategy and that narrative sections were consistent with the Financial Statements;
 - Independent senior management to consider messaging and balance; and
 - SSE's brokers to ensure consistency and balance.

Conclusion

Management confirmed to the Committee that they had followed the assurance framework when preparing the Annual Report.

The Committee advised the Board that they considered the Annual Report, when taken as a whole, to be fair, balanced and understandable.

Significant financial judgements and estimates for the year ended 31 March 2024

Matters considered	How these were addressed by the Committee	Committee conclusions
Impairment testing and valuation of certain non-current assets (financial judgement and estimation uncertainty)		
<p>The Group reviews the carrying amounts of its goodwill, other intangible assets and certain property, plant, equipment and investment assets to determine whether any impairment or reversal of impairment of the carrying value of those assets needs be recorded. In the year ended 31 March 2024, as well as goodwill balances, the specific assets reviewed were intangible development assets and specific property, plant and equipment assets related to thermal power generation and gas storage.</p> <p>In addition, the Group also performed an impairment review over the carrying value of its equity investments in Neos Networks Limited and Triton Power Holdings Limited.</p>	<p>An annual impairment testing and valuation of certain non-current assets exercise is carried out by SSE Finance, with management presenting the outcome of this review to the Committee.</p> <p>In conducting its reviews, the Group makes judgements and estimates in considering both the level of cash generating unit (CGU) at which common assets such as goodwill are assessed against, as well as the estimates and assumptions behind the calculation of recoverable amount of the respective assets or CGUs.</p> <p>Changes to the estimates and assumptions on factors such as regulation and legislation changes (including the Electricity Generator Levy and climate change related regulation), power, gas, carbon and other commodity prices, volatility of gas prices, plant running regimes and load factors, discount rates and other inputs could impact the assessed recoverable value of assets and CGUs and consequently impact the Group's income statement and balance sheet.</p> <p>Further detail of the calculation basis and key assumptions used in the impairment review, the resulting impairment and the sensitivity of this assessment to key assumptions is disclosed at note 15. Detail on the accounting policies applied is included in the Accompanying Information at A1.</p>	<p>The Committee reviewed and challenged the assumptions and projections in the management paper and considered the External Auditor's reporting and findings. Following this review, the Committee supported the judgements made and the recommendation to recognise an impairment of £134.1m in relation to Gas Storage Assets, £63.2m in relation to the Group's investment in Triton Power Holdings Limited and £73.6m in relation to the Group's investment in Neos Networks.</p>
Retirement benefit obligations (estimation uncertainty)		
<p>The assumptions in relation to the cost of post-retirement benefits during the period are based on the Group's best estimates and set after consulting qualified actuaries.</p> <p>While the assumptions are believed to be appropriate, a change in these would affect both the level of retirement benefit obligation recorded and the cost to the Group of administering the schemes.</p>	<p>The assets and liabilities of the Group's defined benefit retirement schemes are regularly reviewed and advice is taken from independent actuaries on the IAS 19 valuation of the schemes.</p> <p>The Committee considered how the schemes were valued and the External Auditor's findings on the scheme's key assumptions relative to market practice.</p>	<p>Following this review, the Committee supported the judgements made.</p> <p>See note 23 for details of the calculation basis and key assumptions, resulting movements in obligations, and the sensitivity of key assumptions to the obligations.</p>
Revenue recognition – customers unbilled supply of energy (estimation uncertainty)		
<p>Revenue from the energy supply activities of the Business Energy and Airtricity businesses includes an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the year end. See note 4.1 (iii) for details of the estimation.</p> <p>During the year, the Group's GB Business Energy segment completed the implementation and migration of customers to a new billing system. Due to the timing of the migration, which occurred late in the financial year for the majority of customers, the level of unbilled and the level of judgement applied in determining the sales accrual for these customers is higher than in previous years. The Group has recognised a provision against this accrual to reflect that customer billing delays may result in poorer collection performance. The migration of customer accounts and balances to the new billing system has also increased the level of estimation required in determining the recoverability of billed debt. This has been documented in note 4.3 (iii) of the Financial Statements.</p> <p>In recent years the impact of customer support schemes has been material to the judgement applied, though in the current year the level of judgement applied has reduced to an immaterial level. The accounting policy for customer support schemes and the balances claimed from government is explained in the Accompanying Information at A1.2.</p> <p>A change in the assumptions underpinning the calculation would affect the amount of other income recognised in any given period.</p>	<p>This unbilled estimation is subject to an internal corroboration process which compares calculated unbilled volumes to a theoretical 'perfect billing' benchmark measure of unbilled volumes (in GWh and millions of therms) derived from historical consumption patterns and aggregated metering data used in industry reconciliation processes. Furthermore, unbilled revenue is compared to billings in the period between the balance sheet date and the finalisation of the Financial Statements which has provided evidence of a catch-up of post implementation billings and hence support to the accrual recognised.</p> <p>Given the requirement of management to apply judgement particularly in the current year in relation to the impact of the data and process migration referred to above, unbilled revenue is considered a significant estimate made by management in preparing the Financial Statements. A change in the assumptions underpinning the unbilled calculation would have an impact on the amount of revenue recognised in any given period.</p> <p>The Committee reviewed the process, issues and assumptions in determining the estimation uncertainty and also considered the findings of the External Auditor.</p>	<p>The Committee considered the Group's processes for recognising bad debt provisions which are based on historic collection performance adjusted for expected future improvement or decline against this performance. In the current year, an estimate of expected deterioration in debt collection due to billing and collection delays has been included within the recognised provision.</p> <p>The Committee supported the estimate for revenue recognition from energy supply activities.</p> <p>Note 18 details the sensitivity associated with this judgement.</p>

AUDIT COMMITTEE REPORT – CONTINUED

Significant financial judgements and estimates for the year ended 31 March 2024

Matters considered	How these were addressed by the Committee	Committee conclusions
Impact of climate change and transition to net zero (financial judgement and estimation uncertainty)		
<p>Climate change and the transition to net zero have been considered in the preparation of these Financial Statements. Where relevant, assumptions have been applied that are consistent with a Paris-aligned 1.5°C 2050 net zero pathway. The Group has a clearly articulated NZAP Plus capex plan (set out on pages 12 to 13). This plan is supported by the Group's Green Bond framework under which the Group's sixth and seventh Green Bonds were issued during the year (see note 21). The proceeds of these Green Bonds were allocated to fund Renewable wind farm and Transmission network projects.</p> <p>The impact of future climate change regulation could have a material impact on the currently reported amounts of the Group's assets and liabilities. In preparing these Financial Statements, the following climate change related risks were considered (see note 4.1(v) for further details):</p> <ul style="list-style-type: none"> – Valuation and useful economic life of property, plant and equipment, and impairment assessment of goodwill; – Valuations of decommissioning provisions; – Defined benefit scheme assets; and – Funding requirements and impact on going concern and viability statements. 	<p>The Committee reviewed:</p> <ul style="list-style-type: none"> – The disclosures relating to the implications of climate change, the NZAP Plus and related significant accounting judgements. – The approach taken by the TCFD Steering Group in this area – and was briefed by EY on the audit requirements associated with TCFD. This included the need for consistent disclosure throughout the Annual Report and the technical basis for those disclosures. 	<p>After a presentation on the proposed disclosures and the External Auditor's report on SSE's approach, the Committee approved the basis of reporting and related financial judgement disclosures included in the Financial Statements for the year ended 31 March 2024.</p> <p>See note 4.1 (v) for details of the sensitivity associated with this judgement.</p>
Valuation of other receivables (financial judgement and estimation uncertainty)		
<p>The Group continues to hold a £100m loan note due from Ovo Energy Limited following the disposal of SSE Energy Services on 15 January 2020. Due to accumulated interest, the loan is carried at £170.1m, which includes a small provision for expected credit losses recognised in accordance with the requirements of IFRS 9. The recoverability of this loan note continues to be a significant financial judgement.</p> <p>The Group has assessed the recoverability of this loan note and recognised a provision for expected credit loss in accordance with the requirements of IFRS 9.</p>	<p>The Committee considered the steps taken by management in assessing the significant financial judgements associated with the recoverability of the Ovo loan note including:</p> <ul style="list-style-type: none"> – the assessment of publicly available and recent financial information; and – discussions with Ovo Energy Limited management. <p>The External Auditor explained the work done to corroborate and challenge the position taken by management.</p>	<p>Following management's assessment of the recoverability of the loan note, the Committee considered the judgement to be appropriate.</p> <p>While the carrying value is considered to be appropriate, changes in economic conditions could lead to a change in the expected credit loss incurred by the Group in future periods.</p>

External audit

Following a competitive tender process, EY was appointed by shareholders as SSE's external auditor for the financial year commencing 1 April 2019. EY was re-appointed by shareholders at the 2023 AGM and has continued to serve as SSE's External Auditor. The audit for 2023/24 was EY's fifth for SSE, with Annie Graham as lead audit partner since its appointment. Annie Graham will rotate off as lead audit partner and will be replaced by Will Binns for the financial year ending 31 March 2025.

During the year, the Committee received a comprehensive audit plan from the External Auditor setting out the proposed scope and key audit matters (included in the Independent Auditor's Report outlined on [pages 324 to 335](#)), as well as their assessment of the key areas of risk. The audit plan and key risk assessment were reviewed and given appropriate challenge by the Committee to make sure underlying judgements were robust.

In relation to the external audit, the Committee:

- considered updates from the External Auditor on the 2023/24 audit plan and related actions;

- assessed the External Auditor's performance, independence and objectivity; and
- monitored the non-audit services provided by the External Auditor.

The Committee also reviewed the Group's Non-Audit Services Policy and approved, in advance, the non-audit services to be provided by EY during the financial year and related fees.

Finally, the Committee reviewed a report on the disclosure of information to the External Auditor and were satisfied that disclosure arrangements were appropriate.

External audit process and effectiveness

The Committee oversees the Group’s relationship with EY to make sure the independence, quality, rigour and challenge of the external audit process is upheld. How the Committee reviews the effectiveness of the audit throughout the year is set out below:

Feedback to inform the review of the effectiveness of the external audit

External Auditor

- The External Auditor provided confirmation of its policies and procedures to maintain independence and points raised by the FRC’s Annual Quality Review Inspection Report and any resultant remedial actions taken.
- The Committee also considered the FRC’s Audit Quality Review report on EY’s audit of the Financial Statements of Southern Electric Power Distribution plc for the year ended 31 March 2023, in which there were no key findings and only limited improvements required.

Audit Committee

- Reviewed the output from the yearly Audit Committee evaluation.
- Assessed the results of a survey of Audit Committee members, regular attendees and Group Finance.
- Considered the insights and quality of reporting from the External Auditor behind key accounting and audit judgements and the skill with which it had applied robust challenge and professional scepticism in dealing with management.

Management

- Assessed the feedback from a management survey of individuals subject to the external audit process.
- Received assurance on the disclosure process for providing information to the External Auditor.

Audit process

- Assessed delivery of the audit strategy and Independent Auditors’ Report.
- Assessed the results of a survey completed by the audit partners on the external audit process.
- Assurance on the effectiveness of the audit quality processes at EY.

Conclusion

The Committee concluded that the External Auditor had delivered an effective external audit in line with the audit plan. The Committee was satisfied that the External Auditor had shown depth of knowledge and an appreciation of complex issues while bringing constructive, independent and objective challenge to management.

The Committee requested that debrief sessions were held between the External Auditor and the finance management teams across SSE to consider any areas to enhance the audit process and environment going forward.

Independence and objectivity

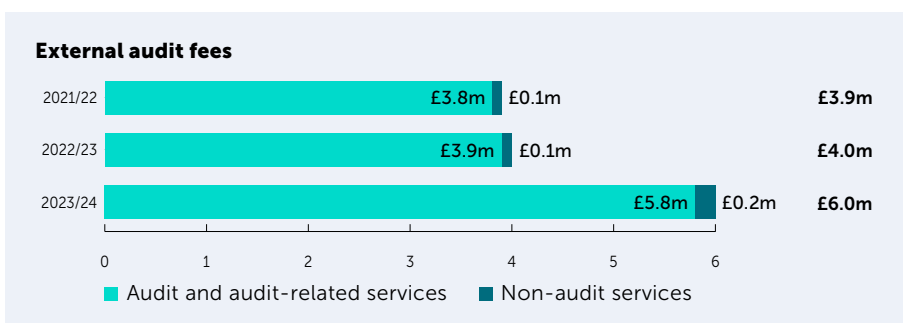
In addition to the annual review of the effectiveness of the external audit, the Committee considered the independence and objectivity of the External Auditor through:

- a combination of assurances provided by the External Auditor on the safeguards in place to maintain independence;
- oversight of the Non-Audit Services Policy and fees paid; and
- oversight of SSE’s policy on employing former auditors.

The External Auditor confirmed that all partners and staff complied with their ethics and independence policies and procedures and that no employees working on the audit held shares in SSE plc.

External audit fees

At its meeting in September 2023, the Committee reviewed the audit fee proposal for the year to 31 March 2024 and discussed the factors driving the fee level increase with the External Auditor. The Committee considered benchmarking data for audit fees of peer companies and efficiency plans when agreeing fair commercial



arrangements with the External Auditor. Audit fees in the current year include scope changes of £0.9m related to the prior year audit. Assurance and tax service fees incurred in the year were £0.3m. Audit related assurance services included fees incurred which mainly related to regulatory accounts and returns required by Ofgem and comfort letters in connection with funding and debt issuance. Non-audit services amounted to £0.2m.

The Committee was satisfied that the non-audit services were best handled by

the External Auditor because of its knowledge of the Group and there was no threat to its independence. All non-audit services were approved in line with the Non-Audit Services Policy and the FRC Ethical Standard.

See [note 6](#) to the Financial Statements for fees paid to the External Auditor during the year.

A summary of external audit fees is set out in the chart above.

AUDIT COMMITTEE REPORT – CONTINUED

Non-Audit Services Policy

The Non-Audit Services Policy governs certain non-audit services provided by the External Auditor to SSE, specifying which services are allowed and its approval process. The policy was updated by the Committee in 2023 to comply with the International Ethics Standards Board for Accountants and the policy is due to be reviewed in 2025.

SSE imposes a 70% cap on non-audit fees paid to the External Auditor – this is based on average audit fees paid over the previous three consecutive financial years.

The Committee monitors compliance with the policy and the cap on non-audit fees by receiving reports at each meeting detailing all approved non-audit services.

Re-appointment of the External Auditor

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

The Committee also concluded that given EY's capabilities, the effectiveness of the external audit and the relationship with SSE, it was in the best interests of the Company and shareholders to continue with EY, and did not currently anticipate that a tender process would be conducted before such a process is required, in 2029.

The Committee proposed to the Board that it seeks shareholder approval to re-appoint EY as External Auditor for the financial year ending 31 March 2025

Internal Audit

Internal Audit provides independent and objective assurance to management, the Committee and Board on the effectiveness of SSE's risk management activities, internal controls and corporate governance. Led by the Director of Group Risk and Audit, Internal Audit reports to the Committee and functionally to the Chief Financial Officer. The purpose, scope and authority of Internal Audit is defined in its charter, which is approved each year by the Committee.

The Committee was updated on the work of Internal Audit and reviewed, challenged and monitored the implementation of the 2023/24 Internal Audit Plan. It considered findings, audit actions, and challenged management to ensure remedial actions were delivered in a timely manner. The Committee was satisfied with the progress of the Internal Audit Plan in 2023/24.

The Committee regularly meets independently with the Director of Group Risk and Audit to discuss the results of audits and additional insights on the risk management and control environment across the organisation.

Internal Audit Plan

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

Internal Audit effectiveness

The Committee assesses and reviews the independence and effectiveness of Internal Audit using a variety of inputs. These include receiving reports at each meeting, interacting with the Director of Group Risk and Audit, and reviewing the function's effectiveness each year.

During the year, Internal Audit was assessed using feedback received through a questionnaire to senior stakeholders across SSE, including the Committee, Group Executive and Directors of functions. Responses were consistently favourable, and the External Auditor also provided informal and supportive feedback. SSE carries out an independent, external quality assessment of Internal Audit every three years, with the most recent by PwC in November 2023. Considering all of this, the Committee concluded that the Internal Audit function effectively provided assurance over SSE's risks and controls.

Internal control and risk management

The Committee oversees and reviews the effectiveness of SSE's internal control system on behalf of the Board. This covers all material controls including financial, operational and compliance, as well as the financial reporting process.

Throughout the year, the Committee received updates on areas of financial controls, fraud risk effectiveness, cyber security and IT resilience, and ethics and compliance. Some examples of the areas considered, are:

- **Financial controls.** The Committee oversaw the design and implementation of a controls programme to assess and strengthen the financial reporting control framework which is aligned to the regulatory reform in the UK that will apply to SSE's financial year ending 31 March 2027. This involved establishing a process to update, monitor and report on the control framework and creating a Controls Centre of Excellence to lead on maintaining the controls environment. Transition to this model began on 1 April 2024. The Committee was pleased with the progress in this area and will oversee the ongoing maturity of the financial controls framework. This will be a key focus area for the Committee in the years ahead.
- **IT controls.** The Committee received regular updates on steps taken to deliver IT control improvements and resilience in order to build a strong controls framework in this crucial area. This included a review of the IT controls in relation to the migration of SSE's GB Business Energy to a new billing system. The Committee was pleased with the progress made on IT controls and will continue to monitor this area to ensure alignment with the coming regulatory requirements and to achieve a mature controls environment and sustainable compliance future at SSE.
- **Cyber security.** As part of an increased focus on cyber security controls, SSE has had a Security Culture Programme in place since 2018 to identify how to improve the assessment and maturity of its cyber controls. The strengths and weaknesses of SSE's cyber processes, as well as their ability to manage cyber risk and contribute to SSE's strategy, are continuously evaluated. The Committee monitored and assessed the key controls, risks and mitigations in place relating to SSE's cyber security and resilience. The Committee recognised this as an important area for SSE due to ongoing geopolitical instability and regulatory changes. The Committee was pleased with the progress made by the Cyber Team to create a strong culture and to embed a cyber controls framework to allow the identification of cyber threats and help reduce exposures.

During the year, the Committee endorsed several improvements to the engagement and reporting of risks to the Board. These include an annual horizon scanning session facilitated by Group Risk and Group Strategy, and the inclusion of enhanced risk content in Board papers – all of which are in place as part of the 2024 Board reporting timetable. For details on SSE’s Risk Management, see [pages 179 to 181](#) of the Compliance Statement.

The Energy Markets Risk Committee oversees internal control and risk management in relation to SSE’s energy market related exposures – see [pages 150 to 151](#) for more.

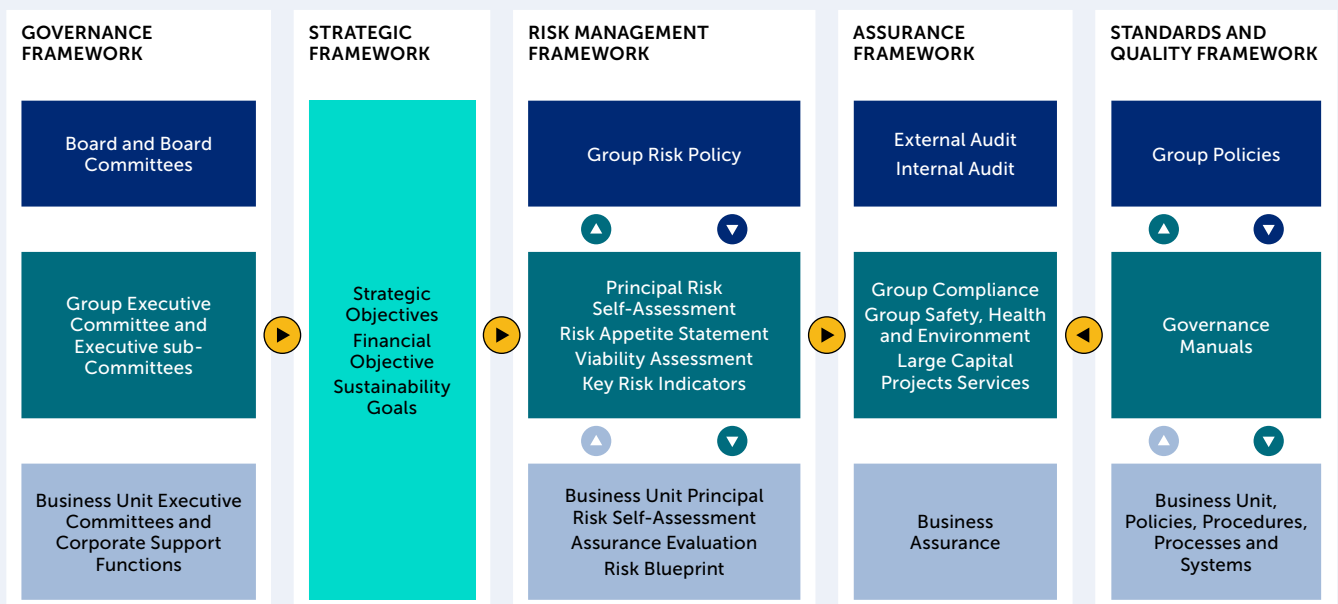
Internal control and risk management effectiveness

The Committee was satisfied that SSE’s internal controls operated effectively throughout the year. This conclusion was informed by an evaluation by key stakeholders of each of the frameworks of SSE’s System of Internal Control. The Chief Financial Officer assessed these evaluations and provided the Committee with a letter summarising work done in the year to improve the control environment and a recommendation on the overall effectiveness of the system. The Committee also considered the assurance evaluations done each year by the Managing Directors of SSE’s seven Business Units. These evaluations consider each framework of the System of Internal Control from a

Business Unit perspective and include any planned improvements to controls. These improvements are tracked, with updates regularly given to the Group Risk Committee.

Following the Committee’s review and recommendation, the Board agreed that SSE’s System of Internal Control continues to be effective and was in line with the requirements of the FRC Guidance on Risk Management, Internal Control and related Financial and Business Reporting. The Board also confirmed that no significant failings or weaknesses were identified during the financial year. Processes are in place to make sure necessary action is taken, and progress is monitored where areas for improvement are identified.

System of Internal Control



Governance framework

Ensures focus on the key components of effective decision-making: clarity, accountability, transparency and efficiency. For details, see [page 114](#) of the Governance Report.

Strategic framework

Includes SSE’s Purpose, Strategy, goals, values, and business model and is the basis for all activity under the Risk Management Framework. For details, see [pages 1 to 7](#) of the Strategic Report.

Risk management framework

Supports each Business Unit in managing risks and helps to ensure that the Board meets its obligations. This framework is underpinned by the fundamental principle that everyone at SSE is responsible for managing risk. See [pages 85 to 86](#) for details.

Assurance framework

An integrated programme of audit and assurance activity that’s independent of the day-to-day operations of the Business

Units and corporate functions. It’s made up of Internal Audit, Group Compliance, Large Capital Projects Services and Group Safety, Health and Environment.

Standards and quality framework

Sets out the expected standards and guidelines to be followed when delivering the Group’s core purpose.

Energy Markets Risk Committee Report



Focus areas in 2023/24

- Oversaw arrangements and recommended actions in relation to SSE's approach to managing portfolio exposures, with focus on entering new geographical markets.
- Reviewed and recommended changes to certain SSE Energy Markets risk and control metrics.
- Reviewed and recommended actions in relation to SSE's approach to hedging to reduce exposure to commodity price variation and capture additional value.

Dear Shareholder

I am pleased to present the Energy Markets Risk Committee (EMRC) Report for 31 March 2024, which details the work of the Committee in overseeing SSE's energy market risk exposures, by ensuring an effective system of risk management controls and related processes in this area.

During the year, the EMRC's core duties remained unchanged, as we continue to have a central role in overseeing the governance arrangements in relation to SSE's approach to managing portfolio exposures. At each meeting, we examine and discuss reports of these exposures, consider any proposals from the Executive Team, and, where required, changes are recommended to the Board.

As a Committee, we reviewed analysis of SSE's approach to hedging, with the aim of confirming whether the hedge approach for the Group remained optimal. The EMRC supported and recommended to the Board the implementation of a revised approach to hedging. The updates were reflected in the hedging approach statement which was published as part of SSE's interim and preliminary results statements. The latest hedging approach statement can be found on [pages 61 to 62](#). The EMRC will continue to assess any market developments and conditions and monitor exposures as they arise.

Role of the Committee

The Committee monitors SSE's energy market risk exposures through work in the following areas.

- **Hedge approach.** Oversees and reviews SSE's hedging approach.
- **Energy market risk.** Assesses any potential emerging energy market issues and risks.

- **Internal control and risk management.** Reviews SSE's related internal control and risk management.

The Committee's Terms of Reference are available on [sse.com](#).

Membership and attendance

The membership of the EMRC comprises five non-Executive Directors and two Executive Directors. The Chief Executive, the Managing Director of SSE Energy Markets, and the Committee Secretary routinely attend Committee meetings.

Biographical details of the EMRC members are set out on [pages 116 to 119](#).

The Committee met four times in 2023/24 with meeting attendance on [page 122](#).

Should circumstances lead to any change in approach being required, these will be fully discussed, challenged, and appropriately reported.

The EMRC believes that SSE is well supported by its approach to hedging and that it continues to effectively manage changing credit and collateral requirements. To this effect, we also reviewed the related SSE Energy Markets governance controls and risk metrics to ensure that they remained appropriate. As a result, changes were recommended by the EMRC and approved by the Board.

We continue to be supported by an executive forum, the Group Energy Markets Exposure Risk Committee. This meets monthly and allows SSE's senior management to discuss and consider energy markets risks and exposures.

The Committee's performance was considered as part of the annual Board performance review, and I am pleased to report this found that we function effectively and that the Board takes assurance from the quality of our work. The Board further sees EMRC members as bringing a wealth of recent and relevant experience from across various industries.

Looking to the year ahead, the EMRC will continue to provide oversight of Group energy markets risk exposures, including those associated with any expansion into new markets. The EMRC will continue to monitor route to market and optimisation as well as SSE's trading capability, both to support SSE's asset portfolios and to manage volatility through risk-managed trading.

Given the ever-changing external environment, we will also focus on the impact, management, and mitigation of relevant macroeconomic and geopolitical events. This will include:

- the impact of any geopolitical risk arising from conflicts;
- commodity prices, volatility and inflationary pressures; and
- changes to regulatory requirements.

I would like to thank the members of the Committee for their dedication throughout the year, and the contribution they all provide in support of our work.

Tony Cocker
Chair of the EMRC

21 May 2024

SSE approach to hedging

SSE has an established approach to hedging through which it generally seeks to reduce its broad exposure to commodity price variation at least 12 months in advance of delivery. SSE continues to monitor market developments and conditions and alters its hedging approach in response to changes in its exposure profile.

In September 2023, the hedge approach was revised with the aim to confirm whether the hedge approach for the Group remained optimal and reflected current market conditions. As a result, the baseline target hedge for renewable output was reduced from 85% to 80%, in addition to allowing gas-only forward hedging as an equivalent to electricity in periods of poor market liquidity.

Details of SSE's hedging approach and position are set out on [pages 61 to 62](#) ➤.

Committee membership changes

Two changes in membership took place in 2023/24. Maarten Wetselaar joined on 1 September 2023, following his appointment to the Board, and brings extensive knowledge of capital and commodity markets from his career in the energy industry. In line with the transition of Finance Director to Chief Financial Officer, Barry O'Regan joined on 1 December 2023 succeeding Gregor Alexander. Barry brings a wealth of relevant knowledge and experience from his previous roles in SSE.

Committee evaluation

The EMRC's performance was reviewed in 2023/24 as part of the annual Board performance review (see [pages 136 to 137](#) ➤). The results found the EMRC was highly effective, with the support it provides to the Board on energy markets risks, external energy markets developments and trading governance highly rated.

The action identified from this evaluation was to ensure the forward business planner continued to include updates on energy markets risk exposure related to new markets.

Actions identified by the previous evaluation in 2022/23 have been addressed and closed, including an action to further enhance the EMRC's forward plan to align with SSE's strategy and the macro-environment in which it is operating.

Meeting process and focus in 2023/24

The work of the EMRC is informed by a forward plan of business, which ensures the Committee carries out its responsibilities in line with its Terms of Reference. The forward plan is subject to review to capture any emerging issues and risks to SSE in respect of energy markets.

In advance of the scheduled meetings, the EMRC Chair meets with the Chief Commercial Officer, the Managing Director of SSE Energy Markets, and the Committee Secretary to ensure key and emerging issues are brought to the EMRC's attention as appropriate. Relevant senior managers can be invited to present certain items of business and provide additional levels of insight to technical areas of work.

Supporting growth and managing risk

During the year, the EMRC oversaw the transition of the SSE Energy Markets Business Unit to the primary decision maker for longer term trading periods, having successfully optimised SSE's energy assets in the short-term. The EMRC considered the related control environment and metrics to ensure that appropriate measures were in place to manage energy markets risk exposures.

The EMRC reviewed SSE Energy Markets' strategy to expand the ways that it independently adds value to the Group. This included proposals to increase trading in European power and gas markets to support the Group's growth ambitions and risk manage exposures in the UK.

In the year ahead, the EMRC will continue to play a key role in overseeing controls relating to trading and to manage energy markets risk exposures.

Further details of how SSE Energy Markets supports SSE's strategy, and its performance during the year, are set out on [page 83](#) ➤.

The table below sets out details of the key focus areas and how these were considered by the EMRC during the year.

Key EMRC focus areas in 2023/24

Areas of focus	How these were considered by the EMRC
Overseeing SSE's hedging approach	<ul style="list-style-type: none"> – Monitored hedging arrangements, risk control metrics, counterparty credit risk exposures, and the liquidity of energy markets. – Supported the implementation of the revised hedging approach. – Received a report on the development of the Renewable Energy Guarantees of Origin (REGO) market and the hedging and risk management of the portfolio across SSE. – Endorsed the hedging approach and position on 31 March 2024.
Energy Markets Risks	<ul style="list-style-type: none"> – Provided with reports on emerging energy market issues and risks. – Considered key energy market risks, risk appetites and risk management controls and governance. – Received a report on reviews of GB and ROI energy markets. – Reviewed SSE Energy Markets' strategy to support entry to international markets for the asset businesses by providing route to market and optimisation services.
Internal Controls and Risk Management relating to Energy Market Exposures	<ul style="list-style-type: none"> – Considered a report on the key risks and control metrics arising from operations within SSE Energy Markets and recommended changes to the Board. – Received an in-depth review of risk control metrics. – Received reports from Internal Audit and details of resulting action plans related to SSE Energy Markets. – Reviewed minutes from the Group-level Energy Markets Exposure Risk Committee which provides executive level oversight of SSE's energy market exposures and their associated management.

Safety, Sustainability, Health and Environment Advisory Committee Report



Key focus areas in 2023/24

- Supported concerted efforts to improve contractor safety and standards.
- Reviewed employee health and wellbeing programmes and support.
- Reviewed SSE's ESG ratings and developments in sustainability reporting.
- Participated in and shared feedback from operational engagements.

Dear Shareholder

I am pleased to present the Safety, Sustainability, Health and Environment Advisory Committee (SSHEAC) Report for 2023/24. This report explains the work of the SSHEAC during the year, alongside the progress that has been made in relation to safety, sustainability, health, and the environment. A more in-depth review of these areas can be found on [pages 23 to 49](#) and in [SSE's Sustainability Report 2024](#), which is available on sse.com/sustainability.

Very regrettably, there was a fatality in 2023/24 involving one of our contract partner's employees. The background to, and learnings from this incident, were fully examined by the SSHEAC and discussed with members of the Executive Team. This incident, SSE's current growth phase, and the resulting increase in contractor hours worked, has reinforced focus on our commitment to keep ours, and our partners' employees safe.

In support of this commitment, we have overseen the rollout of a new immersive training experience in which I was able to participate this year. The experience will help colleagues and contract partners to gain a deeper insight into the emotional impact of when something goes wrong. To allow maximum participation, SSE has invested in a dedicated training centre in Perth, Scotland, and has access to two facilities in London, Vauxhall and Immingham, Hull.

The SSHEAC's role in the delivery of SSE's NZAP Plus, is to monitor the

Role of the Committee

The SSHEAC provides dedicated focus to the following matters.

- **Performance.** Reviews and monitors the Key Performance Indicators and other reporting measures being adopted by the Group in relation to safety, health and the environment and sustainability.
- **Leadership.** Supports and advises the Board on matters relating to safety, sustainability, health, and the environment.
- **Strategy and targets.** Reviews the effectiveness of SSE's strategy,

- initiatives, training, and targets, and the implementation of SSE's Group Policies relating to safety, sustainability, health and wellbeing, the environment, and climate change.
- **Competence and resources.** Monitors the resource, competence, and commitment in the management of safety, sustainability, health, and environmental issues to ensure continuous improvement.

The Committee's Terms of Reference are available on sse.com.

Membership and attendance

The membership of the SSHEAC comprises four non-Executive Directors; the Chair of the Board; the Chief Commercial Officer; the Chief Sustainability Officer; the MD, SSEN

Distribution; the MD, SSE Distributed Energy; and the Safety, Health and Environment Director. An Assistant Company Secretary is the Secretary and the Chief Executive attends the meetings.

implementation of SSE's safety, health and environment (SHE) strategy, including the roll out of initiatives and technology to reduce SHE risks and support SSE's overarching goal – that our people are safe, and we protect the environment whilst doing so, each and every day. This is underpinned by our commitment to ensuring that our Safety Family approach is a key driver of SSE's culture, and we regularly receive, and discuss with management, reports on safety performance, including safety incidents, audits and cultural assessments. I was also pleased to attend the SSE Safety Conference in June 2023 that looked at our SHE vision for the year ahead.

Good progress has been made in advancing employees' health and wellbeing with numerous new health and wellbeing services launched in 2022/23. A key focus for 2023/24 was to ensure that employees are aware of, and use, the available support. We would like to take the opportunity to recognise the work of SSE's wellbeing champions and mental health first aiders who play an important role in promoting the wellbeing agenda.

SSE operates in places that are home to a variety of valuable ecosystems and habitats. SSE's environment strategy is designed to ensure that environmental impacts and the natural environment are considered, and carefully managed. From creating suitable habitats at operational sites, supporting salmon on their impressive migrations along Scotland's rivers, to contributing to vital research – SSE's

businesses have been playing their part in working sustainably with local partners to improve biodiversity.

SSE has a responsibility to influence the social impacts as the world transitions out of high-carbon activities and into a net zero world, and we're committed to a fair and just transition. SSE was the first company to publish a Just Transition Strategy in 2020, and progress updates in this area are published externally, including in the annual Sustainability Report which is reviewed and approved by the SSHEAC.

The SSHEAC continued to conduct a programme of site visits in 2023/24, supporting oversight of SSE's safety culture and enabling Committee understanding of the day-to-day safety challenges. This provided an opportunity to share feedback and agree actions to enhance working environments.

On behalf of the SSHEAC, I would like to thank all employees and those who work with SSE for their sustained effort, hard work, and commitment. I hope you find the report a useful explanation of how the Committee has supported, and provided oversight to the matters which form part of its remit.

Helen Mahy CBE
Chair of the SSHEAC

21 May 2024

Committee evaluation

The annual review of Committee performance was facilitated by Lintstock (see [pages 136 to 137](#)) and the outputs considered by the full Committee. This confirmed the Committee's continued effective operation and agreement of actions for 2024/25.

Evaluation confirmed

- The Committee has retained effective oversight of policies, targets and strategies; performance; risks; and disclosures and reporting, relating to safety, sustainability, health and the environment.
- The breadth of topics covered by the Committee's agendas have evolved positively based on matters discussed within meetings.
- A strong balance has been achieved between oversight, challenge, and support on key risk areas SSE's businesses are facing across safety, sustainability, health and the environment.

Actions for 2024/25

- **Contract partners.** Support effective communication of SSE safety standards to contract partners.
- **Shared learning and best practice.** Share learnings from safety improvements in other sectors and ensure best practice is effectively communicated across Business Units so that it influences operations and forward plans.
- **Reporting.** Review performance metrics in order to simplify management papers presented to the SSHEAC.

Meetings and focus in 2023/24

Committee agendas are structured around a pre-agreed annual plan of business which has been designed to support the Committee discharge its responsibilities. To ensure new and emerging topics can be covered as they arise, the plan remains flexible and is supported by close work with the Group Safety, Health and Environment Committee which reports to the Group Executive Committee. The Committee invites operational managers and specialists to attend certain meetings to gain a deeper level of insight on particular items of business.

In addition to Committee meetings, and to supplement the understanding of SHE and sustainability matters across operational sites, the members undertake an annual programme of site visits. The following pages provide an overview of the work and considerations of the Committee aligned to its key areas of responsibility.

SHE performance

Safety

The SSHEAC oversees SSE's safety performance using a number of different measures including 'Safe Days' and the rolling Total Recordable Injury Rate (TRIR).

The concept of 'Safe Days' is used to monitor and track safety progress and performance. On a 'Safe Day', for SSE or contract partners, there are no minor, serious, or major safety incidents; serious or major environmental incidents; or any incident with a high potential for harm to people or the environment. 231 Safe Days were achieved during 2023/24, compared to 255 in the previous year.

TRIR for employees' and contract partners' is used to conduct benchmarking and trend analysis. In 2023/24, the combined TRIR increased to 0.20 per 100,000 hours

worked, compared to 0.19 in the previous year. SSE's TRIR has reduced from last year's level of 0.10 to 0.07. This reduction in SSE colleague incidents is indicative of SSE's efforts to ensure safety is everyone's priority and that we're all responsible for taking care of ourselves and each other. Contract partners' TRIR increased to 0.41, compared to 0.34 in the previous year. This reflects a significant increase in investment and construction, and the associated rise in contract partner hours worked building on the increases in the previous year.

There will be a separate TRIR performance expectation for 2024/25 for SSE of 0.09, and for contractors of 0.40.

As well as Business Unit plans and Group-wide safety activities, the SSHEAC noted specific actions throughout the year to support safety performance, such as hand safety, and annual summer and winter campaigns. The SSHEAC supported the "Take 10 for Safety" initiative, which was designed to ensure colleagues take dedicated time out to consider safety within the working day.

SSE's investment in an immersive training experience will see colleagues and contract partners getting a fresh insight into safety, the consequences of when things go wrong, their role in getting people home safe and the tools they can use to influence others to make that happen. The SSHEAC received updates on the rollout of the experience which has been well received, with 1,700 colleagues and contract partners having attended the immersive experience in London, Vauxhall and Immingham, Hull at the end of 2023/24. The opening of SSE's dedicated centre in Perth will now see an increase in the number of employees and contract partners who have access to the immersive facilities.

Contractor safety

With the fatality of one of SSE's contractor's employees, and in the context of contract partner incidents and the TRIR being higher than SSE's, the SSHEAC discussed how SSE can provide more rigour and support for contract partner focused safety initiatives, especially as the level of project delivery through partners has been increasing.

The SSHEAC received regular updates on contractor safety performance, as effectively managing contract partner safety is critical for SSE to meet its goal of having no life changing injuries. A key initiative, which the SSHEAC noted positive feedback from, was a Group-level event for contract partners, hosted by SSE, in November 2023. This event has been reinforced by a sustained Business Unit and SSE-wide engagement programme.

SSE's Contractor Safety Team, with feedback from the SSHEAC, has also been working to continually improve SSE's SHE specifications and standards for contractor partners and provide guidance for project management teams.

Over the coming year, the SSHEAC will support continued focus on building strong relationships with contract partners, and maintaining and reinforcing SSE's Safety Family approach and tools in the face of growth, new joiners and increased contractor hours.

Health and wellbeing

The SSHEAC has had a particular focus on expanding SSE's approach to physical and mental health and wellbeing to ensure that the challenges faced by colleagues across SSE are being addressed. To support this, the SSHEAC reviewed SSE's health and wellbeing strategy which is based on three key areas: 1. making it easier to do the right thing (ensuring that there are no barriers to people being able to access the help that

SAFETY, SUSTAINABILITY, HEALTH AND ENVIRONMENT ADVISORY COMMITTEE REPORT – CONTINUED

they need); 2. service and support (ensuring that SSE efficiently operationalises the services it provides); and 3. making the uncomfortable, comfortable (continuing to use colleagues' stories to support others). To support the implementation of SSE's health and wellbeing strategy, the SSHEAC also reviewed medium-term and longer-term priorities.

To ensure that SSE works with organisations that support its health and wellbeing strategy and priorities, internal teams engaged with several external partners, such as British Heart Foundation, WeCare, and Samaritans. Initiatives to support employees' physical and mental health continue to be provided through Nuffield, SSE's Employee Assistance Programme and Thrive. An overview of the partnership initiatives was provided to the SSHEAC.

The SSHEAC has received regular updates and monitored fatigue management progress in SSEN Distribution, alongside the associated working hours controls. This includes managing fatigue risk during storms, given the different risk profile of these unique working conditions. Within its considerations, the SSHEAC recognises the business must be in a position to safely provide 24/365 cover, given the critical nature of its work and potential impacts on SSE's customer needs and vulnerabilities.

Environment Strategy

SSE's environment strategy provides a framework for SSE to manage and mitigate impacts to terrestrial, freshwater, and marine ecosystems, and build a business that uses resources efficiently and embraces the principles of a circular economy. Since the strategy is built into SSE's strategic hierarchy of sustainability, the SSHEAC reviewed SSE's environment strategy for 2023/24 and an environmental plan for

each Business Unit. The review of SSE's environment strategy considered wider environmental impacts under three pillars inspired, in part, by the UN Sustainable Development Goals: 1. environmental management and governance; 2. responsible consumption and production; and 3. the natural environment. An example of the review for the natural environmental pillar can be found below.

To support SSE's environment strategy and hold SSE accountable for performance, the SSHEAC also agreed a set of targets for 2024/25.

Performance

SSE's environmental incidents are categorised as major, serious, and minor incidents. In 2023/24, the total number of environmental incidents as a result of SSE's activities totalled 143 compared to 109 the previous year, the majority of which were minor. There were no major environmental incidents.

There was an increase in serious environmental incidents in 2023/24, increasing to 40 from 31 the previous year.

The key serious incident areas included SF6 leaks, oil related leaks, fluid filled cable leaks, and silt releases. The Group Safety, Health and Environment Committee endorsed a decision to conduct a deep dive into these incident areas with the outcomes and actions discussed by the SSHEAC. Minor environmental incidents increased to 103 from 77 in the previous year.

The increase in incidents reflects the increase in project and contractor activity, alongside improved incident reporting and a focus on maintaining SSE's governance processes to analyse reported incidents data.

The number of environmental permit breaches increased to 19 in 2023/24 from 9 the previous year, the majority of which were self-reported to the relevant environmental agencies. All incidents were dealt with quickly when identified.

Sustainability and environment, social and governance (ESG)

Climate adaptation and resilience

The SSHEAC considered the annual review of climate adaptation which discusses the Group-level approach to climate adaptation planning and reporting.

On a strategic level, the SSHEAC understands the desire from a wide range of stakeholders to understand SSE's resilience and management of the physical impacts of climate change on its assets and activities. The Committee also recognises that adaptation assessments and reporting are crucial to ensure that critical infrastructure is available even when weather and climate patterns change. The SSHEAC reviewed current and upcoming reporting requirements and the climate scenarios SSE is testing itself against.

Sustainability Report

In the reporting year, the SSHEAC reviewed the approach and plan for the Sustainability Report 2024. In light of increasing sustainability reporting requirements, this was considered in the context of the wider sustainability disclosures across SSE's corporate reporting suite. The SSHEAC reaffirmed the importance of the Sustainability Report, and the enhanced disclosures it provides surrounding SSE's performance against its key economic, social, and environmental impacts and goals. The SSHEAC continues to approve the report in advance of publication.

ESG ratings

One of the ways in which SSE's sustainability performance is assessed is through investor ESG ratings, which are of strategic importance to SSE and its stakeholders. The SSHEAC continues work to understand how the rating agencies judge SSE's performance and reviewed SSE's current ESG ratings performance in the year. Through this review, a number of actions and priorities were agreed to support continuous improvement.

ESG Gap analysis

The SSHEAC supported the first comprehensive ESG Gap analysis, against SSE's position, in 2022/23. To build on this, the Group Sustainability team carried out a follow up ESG Gap analysis in 2023/24 that looked at how the actions from the previous year were addressed, alongside their impact on SSE's ESG rating performance. Through

Natural environment

The review of SSE's environment strategy considered wider environmental impacts under three pillars. The natural environment pillar relates to the conservation, restoration and sustainable use of the world's land and water resources; and promoting the integration of amenity, ecosystem and biodiversity improvement into business activities,

The SSHEAC reviewed the following Group goals for 2023/24.

- For onshore large capital projects, all SSE Business Units commit to delivering no 'net loss' in biodiversity on those consented from 2023 onwards, and 'net gain' in biodiversity on those consented from 2025 onwards.
- Data will be reported monthly and via a Power BI Report against projects in scope, to confirm compliance with the above target.
- Business Units will be supported in the development of natural capital toolkits to evidence compliance and to capture good practice.
- SSE's Environment Sub-group will support development of SSE's approach and deliverables on the natural environment.

this work, the SSHEAC agreed additional areas of focus and 13 recommendations for 2024/25.

Nature related disclosures

The SSHEAC reviewed the planned Group-level approach to nature related disclosures in the context of developments in sustainability-related reporting requirements and SSE's current nature-related disclosures. The Committee endorsed the steps being taken to monitor and work towards future reporting developments in this area.

SHE strategy 2024/25

The SSHEAC reviewed SSE's SHE strategy 2024/25 and the safety, health and wellbeing, and environmental priorities and plans for the upcoming year, supported by the SHE risk matrix and SHE assurance plan. The strategy is built on three pillars: 1. safety (occupational and process safety); 2. occupational health and wellbeing; and 3. the environment. The SSHEAC continues to review activities under these pillars as well as the effectiveness of the strategy, initiatives, training, and targets. As part of the SHE plan 2024/25, the SSHEAC reviewed Business Unit SHE plans for 2024/25.

Site visits

The SSHEAC continue to conduct an agreed programme of site visits to support and engage with colleagues in different operating environments. For 2023/24, the programme covered the following locations.

- **Keadby 1 & 2 sites and Control Room.** The station represents a vital next step in the UK's journey to net zero, with plans already in place for the next generation of low-carbon power stations situated at Keadby.
- **Salisbury Solar and Battery site.** The project is part of SSE's ambitious capital investment plan to accelerate progress to net zero in its role as the UK and Ireland's clean energy champion.
- **Stronsay 33kV.** Located on the remote island of Stronsay on the Orkney Islands, the project is at an early stage of execution with civils/ground works only recently underway.
- **Medway.** The power station is a gas-fired combined cycle gas turbine (CCGT) power station on the Isle of Grain in Kent. SSE is exploring options to decarbonise its energy generation at Medway through emerging CCS and hydrogen solutions to ensure the site can continue to provide essential flexible power in a net-zero world.
- **Orkney Stores Yard and Power Station; Stronsay 33kV project (see opposite).** The Orkney Islands are home to some of the world's greatest resources of renewable electricity, from established onshore wind, to emerging marine technologies.

The SSHEAC site visits for 2024/25 are already agreed and will be reported on next year.

A dedicated feedback template which is completed following each visit ensures that feedback is collected, acted upon, and reported back to the SSHEAC; and supports the adoption of best practice and shared learning across SSE's Business Units.

The feedback from visits was encouraging with teams working hard to have a positive impact on SSE's culture, the environment, and local communities. Detailed safety briefings were also received on arrival at each site.

A report of the visit to Orkney, which illustrates a summarised feedback template, is provided below.

Visit to Orkney

Helen Mahy (Chair of the SSHEAC), Tony Cocker (non-executive Director), and Chris Burchell (MD, SSEN Distribution) visited Orkney Power Station and Stores Yard in August 2023. The purpose of the visit, was to gain insight into the maintenance of technical and service support for remote populations on islands distant from Orkney and the main island itself. Below is a summary of the takeaways from the visit.

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

The team was confident in using their safety licence and that local management would take their concerns seriously and act appropriately. An improvement opportunity was identified and acted upon, resulting in a SHE risk board being updated and Safety Family Language and golden rules being more visible across the site.

We take pride in our work and our environment

The site is of historical significance which is a source of great pride to the team working there.

We take care of ourselves and each other

The team is well integrated, with close working relationships. A good degree of engagement and relaxed conversation indicated a positive culture on the site.

We plan, scan and adapt

Local teams must regularly demonstrate flexibility in how they approach work given the remote location. Efficient teamwork and engagement were visible across the site, with a town hall session between the team and SSHEAC members providing for good and open discussion.

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

Digitisation of work schedules is underway with a plan to utilise the same digital screen to share key SHE messages and important information.



Members of the SSHEAC during their visit to Orkney

Remuneration Committee Report



Key focus in 2023/24

The key areas of focus in the year included:

- Understanding the market and governance landscape.
- Setting and reviewing annual and long-term incentive plan targets.
- Confirming appointment terms for the new Chief Financial Officer and agreeing retirement terms for the out-going Finance Director.
- Reviewing below-Board pay arrangements.
- Agreeing base salary and fee levels for Directors.

Dear Shareholder

The Directors' Remuneration Report aims to set out clearly and simply the rationale for and detail of Directors' remuneration and covers:

- Linking remuneration to strategy
- Delivery and performance
 - Annual incentive outcomes
 - Long-term incentive outcomes
 - Changes to base salary
- Board changes in the year
- Remuneration Policy review

Linking remuneration to strategy

The current Directors' Remuneration Policy was approved at the July 2022 Annual General Meeting with over 91% support.

Our approach to pay is designed to support execution of SSE's purpose to provide energy needed today while building a better world of energy for tomorrow.

The performance measures and targets for the Annual Incentive Plan (AIP) and the longer-term Performance Share Plan (PSP) are directly linked to SSE's strategy to create value for shareholders and society in a sustainable way by developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero.

Sustainability is at the heart of SSE's strategy. Progress is measured by business goals for 2030 that align with four specific UN

Role of the Committee

The Remuneration Committee determines and agrees SSE's broad policy for executive remuneration, ensuring that it is appropriate, enhances personal performance and rewards individual contributions towards the long-term sustainable success of SSE.

In addition, the Committee is responsible for linking remuneration to SSE's strategy, purpose and values.

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

Membership and attendance

The membership of the Committee comprises four non-Executive Directors and the Chair of the Board. The Company Secretary and Group General Counsel is Secretary, and the Director of HR and Director of Reward provide advice to the Committee. The Chief Executive may also attend the meetings

but is not present for any discussion about his own remuneration arrangements. Biographical details of the Committee members can be found on [pages 116 to 119](#).

The Committee met three times in 2023/24 with attendance on [page 122](#).

Sustainable Development Goals. Progress against these goals, which are detailed on [page 25](#), are linked to the vesting of awards made under the PSP from the 2022 grant onwards. Shareholders also approved 'strategic' incentive measures in 2022 which assess progress towards the successful delivery of the Net Zero Acceleration Programme Plus (NZAP Plus). This means that 30% of the shares awarded under the new PSP, vesting for the first time next year, are linked to sustainability, either directly through sustainability measures or through strategic measures by virtue of the NZAP Plus. The in-year focus on sustainability continues through measures which have a weighting of 40% within the 2023/24 AIP, with 10% assessed against sustainability indices and 30% relating to operational performance linked to the NZAP Plus.

Alongside sustainability and operational excellence, we encourage a strong focus on financial performance and value creation across our incentives.

The expansion of the business into new geographies means we are increasingly exposed to international pay trends and our policy needs to be able to adapt accordingly. Our current remuneration policy is structured to ensure that we have enough flexibility to attract world-class talent. This is particularly important as SSE is increasingly exposed to growing and competitive markets, and the deployment of new technologies requiring specific skills.

Delivery and performance

SSE met its financial objectives in 2023/24 with the value-generating nature of its diversified business mix offsetting the impact of unfavourable weather on renewables output, and the normalisation

of trading conditions for thermal generation. SSE also invested £2.5bn in the clean energy infrastructure needed for net zero. With quality assets, a world-class project pipeline and a strong balance sheet, the Group remains on course to meet growth targets culminating in Adjusted Earnings Per Share of 175-200 pence at the end of the five-year NZAP Plus in 2026/27.

Annual incentive outcomes

The AIP is determined against a broad range of financial, operational, personal and sustainability performance targets collectively designed to reflect financial and non-financial business performance each year. We reviewed the measures in 2022 to support the delivery of the NZAP Plus and longer-term goals. During the year, the operational measures have been strengthened with further key performance objectives within each of the businesses identified in conjunction with SSE's leaders.

Financial objectives were met in 2023/24 and progress was made in respect of operational performance related to the NZAP Plus. Performance against external sustainability indices has, once again, been strong with upper quintile ranking achieved across all indices for the second year running.

The Committee was saddened by the death of Richard Ellis, the employee of a contract partner, in an offsite incident, and our thoughts are with his family, friends and colleagues. This incident overshadowed an improvement in safety among direct employees, with a Total Recordable Injury Rate (TRIR) matching our best performance year. Contractor safety continues to be an area of focus for us with performance in the year resulting in contractor TRIR falling

below SSE's expected standards. As a result, the Committee decided to reduce overall outturns to 40% of the maximum 10% achievable in this area.

The outturn for the 2023/24 AIP is 69% of the maximum. The Committee believes that the outcome is a fair representation of overall performance and the stakeholder experience. In line with the policy, 33% of the award is deferred into shares for three years. The AIP scorecard is shown on [pages 166 to 168](#).

Long-term incentive outcomes

The PSP awards granted in June 2021 are due to vest following the 2023/24 financial year, subject to financial, operational, and value-creation performance conditions measured over the three-year performance period ending 31 March 2024.

We objectively assessed the vesting outcome against the performance measures and targets set. Total Shareholder Return against a European utilities peer group performed particularly well over the three-year period, as did the Adjusted Earnings Per Share growth targets, with both elements paying out in full. A formulaic assessment resulted in an outturn of 62% of the maximum award. We agreed that the vesting outcome for these awards was appropriate and no discretion was required. More details on the performance measures, targets, and performance outturns are set out on [page 169 and 170](#).

Changes to base salary

In reviewing the base salaries of Executive Directors, we considered SSE's performance and shareholder returns, progress against the NZAP Plus, and the changing responsibilities of their roles. We also considered the pay arrangements of the wider employee population and the increase to the pay budget which was just over 6% including pay progression costs.

We take a broad approach to benchmarking and in recent years have used the FTSE 20-50 (excluding financial services) as our main comparator group where our market capitalisation is in the upper quartile.

Our market capitalisation is within the range of the median of the FTSE 50 (excluding financial services) and total pay potential compared to this group is in the lower quartile. As our growth plans unfold, we will continue to monitor pay trends and levels across the FTSE 50.

Taking these factors into consideration, we agreed that the base salary increase for Alistair Phillips-Davies should be 4.5%. Martin Pibworth's role has increased in scope following Gregor Alexander's retirement from the Board. In particular, he is now responsible for the Procurement and Logistics function, which oversees a very large capital spend relative to others in our industry across Europe with an anticipated spend of £4 billion per annum for the next five years. His base salary will increase by the same 4.5% as other executives, plus an additional 4.5% to recognise the expansion of his role.

Barry O'Regan's salary increase upon appointment to the Board was set out in the 2023 Annual Report and further details are provided below.

Board changes in the year

After 21 years on the Board and 33 years' service with SSE, Gregor stepped down from the Board as Finance Director on 30 November 2023 before retiring from SSE on 31 March 2024. He continues to be the Chair of SSEN Transmission's Board and a Director on the Board of Neos Networks Limited. His leaving arrangements with regards to pay were in line with policy and he was treated as a 'good leaver'. He was paid in the usual way up to the point that he stepped down from the Board. His AIP has been pro-rated and he received no grant in respect of the PSP in 2023. He will be required to retain a shareholding for at least two years following the date of cessation of employment in line with the policy.

Barry joined the Board as Chief Financial Officer on 1 December 2023. Last year in this report, we set out his proposed pay arrangements. His home base remains in

Ireland and on joining the Board, he was initially paid a Euro base salary of the equivalent of £600,000 a year. His base salary will increase by 8.3% to the equivalent of £650,000 with effect from 1 April 2024 and to the Euro equivalent of £700,000 (an increase of 7.7% of salary) with effect from 1 April 2025, subject to review. Even once these increases have been implemented, base salary will be c.9% lower than Gregor's 2023/24 annual salary equivalent. All other pay arrangements are in line with policy.

Remuneration Policy review

The current Director's Remuneration Policy will expire at the end of its normal three-year lifespan at next year's AGM. We will consider if the policy is appropriate and flexible enough to recognise the planned growth and ambitions of the business and will also take into account developments in market practice, corporate governance and changes within our own business.

I look forward to engaging with shareholders and their representatives to understand their views on any potential changes in approach.

Summary

In the meantime, we plan to continue to apply SSE's core principles of transparency of decision making and clarity of reporting and to be fully cognisant of the perspectives of SSE's stakeholder groups. I very much welcome any comments on the 2024 Directors' Remuneration Report or on any remuneration matters. I can be reached through SSE's Company Secretary and Group General Counsel, Liz Tanner, at liz.tanner@sse.com.



Melanie Smith CBE
Chair of the Remuneration Committee

21 May 2024

Committee evaluation

The annual review of Committee performance was facilitated by Lintstock (see [pages 136 and 137](#)) and the outputs considered by the full Committee. This confirmed the Committee's continued effective operation and agreement of actions for 2023/24.

Evaluation confirmed	<ul style="list-style-type: none"> – The Remuneration Committee's performance was highly rated overall. – It continues to function well and receives expert input.
Actions for 2023/24	<ul style="list-style-type: none"> – Continue to ensure SSE's Remuneration Policy aligns to its leadership needs now and in the future. – Maintain oversight of the approach to wider workforce pay and continue to consider this, as appropriate, within Committee work.

Remuneration at a glance

Strategically aligned remuneration

Across SSE, remuneration is simple, transparent and aligned with our strategic Net Zero Acceleration Programme Plus (NZAP Plus). It incentivises and rewards performance in a sustainable way while creating value for shareholders and society. Sustainability is at its heart and it is underpinned by our core values which promote doing the right thing.

In setting remuneration policy for Executive Directors, the Remuneration Committee seeks to ensure that pay is equitable, competitive and appropriate. It thoroughly considers incentive performance measures to ensure strong strategic alignment and a balance of financial, strategic, operational and sustainability measures with stretching targets. The diagram below illustrates how Annual Incentive Plan (AIP) and Performance Share Plan (PSP) performance measures link to strategy.

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

Incentive measure	Link to strategy
Annual Incentive Plan	
Adjusted Earnings Per Share Underlying measure of financial performance	A strategic KPI and a measure of value creation
Cashflow Net debt-to-EBITDA ratio	Measures financial stability and the ability to make future investments critical to the NZAP Plus
Personal Individual objectives for each Executive Director	A range of objectives specific to each individual Executive Director set in order to support NZAP Plus delivery
Operational Safety performance Operational performance Capital delivery	Considers safety and wellbeing performance for both employees and contract partners Considers delivery against SSE's key operational targets Considers progress in relation to SSE's significant capital projects
Sustainability Ranking in three external sustainability indices	Scored against a range of factors that support the transition to Net Zero and our culture of 'Doing the right thing'
Performance Share Plan (from 2022 onwards)	
Total Shareholder Return Relative to FTSE 100 Relative to MSCI European Utilities index	Measures of value creation relative to relevant peer groups across the UK and Europe
Adjusted Earnings Per Share growth Compound annual growth plans based on SSE's three-year plan	A strategic KPI and a measure of value creation over the longer term
Strategic Performance in relation to progress against the NZAP Plus	The NZAP Plus is our strategy in action
Sustainability Cut carbon intensity by 80% Increase renewable energy output fivefold Enable low-carbon generation and demand Champion a fair and just energy transition	Four core business goals linked to the UN Sustainable Development Goals which support SSE's transition to net zero

Directors' Remuneration Policy in action

The current Directors' Remuneration Policy was approved in 2022 with over 91% shareholder support. It will be renewed in 2025 at the end of its three-year life span in line with reporting regulations. The Remuneration Committee is responsible for ensuring the effective operation of the Policy and the illustration below shows how it is intended to operate in 2024/25.

Element	Max	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Fixed pay	Salary	Set with reference to pay increases to the wider employee population	Salary paid				
	Benefits	Market competitive	Benefits paid				
	Pension	Final salary and top up/pension allowance	Pension accrual/allowance paid				
Variable pay	Annual Incentive Plan (AIP)	CEO 150% of salary CCO and CFO 130% of salary 67% cash, 33% deferred shares	Performance period	AIP cash paid AIP deferred share awards granted	Holding period	Deferred AIP awards vest	
	Performance Share Plan (PSP)	CEO 250% of salary CCO and CFO 225% of salary	PSP awards granted	Performance/holding period	PSP awards vest	Holding period	Holding period ends

Setting and measuring performance

The Remuneration Committee is responsible for designing and determining measures and targets for variable pay for Executive Directors, and for approving payouts. It follows a clear process annually which is used for both the Annual Incentive Plan (AIP) and the longer-term Performance Share Plan (PSP). This is described in the diagram below.



1. Set measures

The Committee agrees a set of performance measures aligned to strategy as described on the previous page. AIP measures are financial, operational and sustainability-focused, and PSP measures are designed to encourage sustainable value creation, consistent with effective stewardship and encouraging good decision-making for the long term.

2. Set targets

Stretching performance targets are set at the beginning of the performance period and are disclosed in the Annual Report unless commercially sensitive. The performance range is set on a realistic basis but requires true outperformance for the maximum to be achieved. See the case study below for an example of target setting in action.

3. Performance assessment

Performance is assessed at the end of the performance period. Formulaic assessment is carried out where possible, and any measures requiring judgement use an objective scoring framework to mitigate any bias.

4. Consider wider environment

While the range of performance measures used ensures performance is assessed using a balanced approach without undue focus on a single measure which could be achieved at the expense of wider initiatives, the Committee also considers the wider environment including but not limited to, wider market factors and company performance in the round. It is also mindful that some of the wider group performance measures for employees are influenced by overall performance assessments and that this should feel fair and proportionate.

5. Apply discretion

Should the Committee believe that the performance outcome following assessment is not appropriate in the context of the wider environment, it will use discretion to adjust the outcome. The Committee has used discretion to reduce the value of incentives in four out of the last eight years however, this year, it has decided that the formulaic assessment of incentive plans is appropriate and has not applied discretion.

Setting new operational targets

When planning for 2023/24 and beyond, the Committee took a fresh look at all the incentive measures and felt there was a possible gap with how success was measured in the Annual Incentive Plan. The NZAP Plus plan has created new opportunities and demands on the business and it is important that key areas of delivery within the plan are fairly targeted. With this in mind, the Committee felt that a new suite of operational measures were required.

SSE management were tasked with identifying key operational performance areas within each of the businesses, and defining measures showing threshold and maximum outcomes. These were discussed in detail with the Committee leading to further refinement before a final suite of measures was agreed. The new measures have a greater focus on project delivery, capital spend and safety.

A report was produced at year-end detailing performance outcomes

supplemented with details explaining how performance was achieved and noting any other areas which proved important during the year not captured in the metrics. This report covered both areas of success and disappointment. The Committee considered both quantitative and qualitative information and had a robust discussion before reaching a conclusion on overall outcomes. As can be seen on [page 167](#) the final outcome of the Operational section of the AIP was 53%.

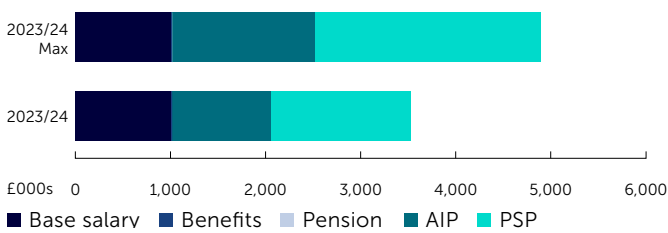
REMUNERATION AT A GLANCE – CONTINUED

Single total figure of remuneration outcomes in 2023/24

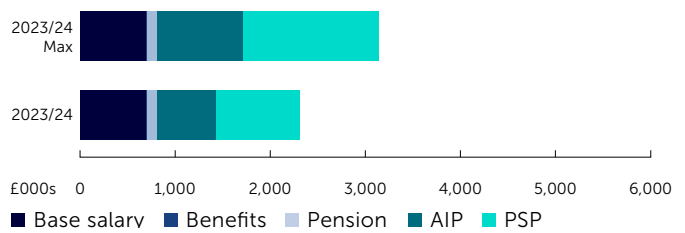
In 2023/24 there has been a reduction in remuneration of 23% compared to the previous year. While base salaries were increased by 5%, the overall pension figure is lower due to the valuation of the Chief Executive's defined benefit pension, and incentive outturns are also lower following very strong performance in the previous year.

The charts below provide an illustration of the single total figure of remuneration for 2023/24 for the Chief Executive and Chief Commercial Officer (i.e. the Executive Directors with two full years pay) relative to the maximum remuneration available over the same period.

Chief Executive



Chief Commercial Officer

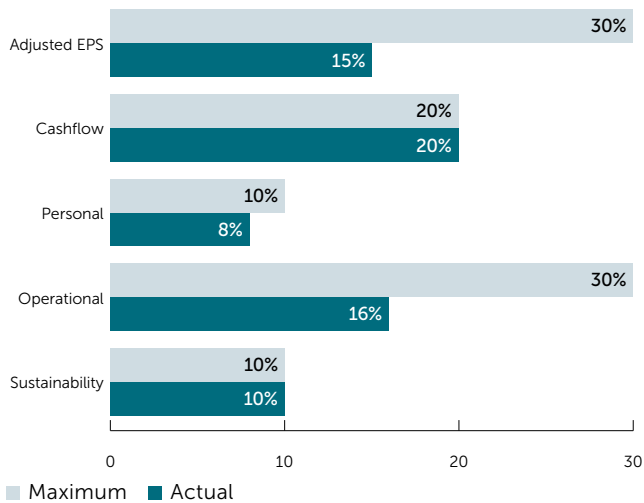


Incentive performance

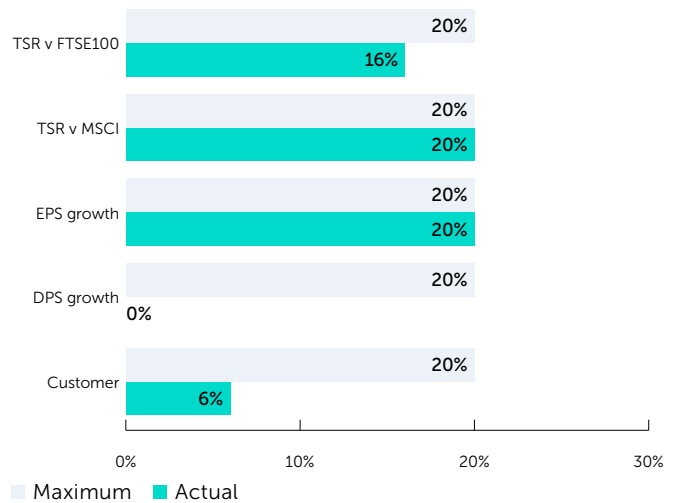
The Annual Incentive Plan (AIP) requires broad performance across a range of financial and strategic metrics which are set at the beginning of the financial year. For 2023/24, performance was assessed at 69% of the maximum opportunity.

Under the 2021 Performance Share Plan (PSP), which matures in 2024, a range of value creation, financial and operational performance metrics are assessed. Performance has been assessed at 62% of the maximum opportunity. The charts below summarise performance against the metrics for each of the plans.

Annual Incentive Plan



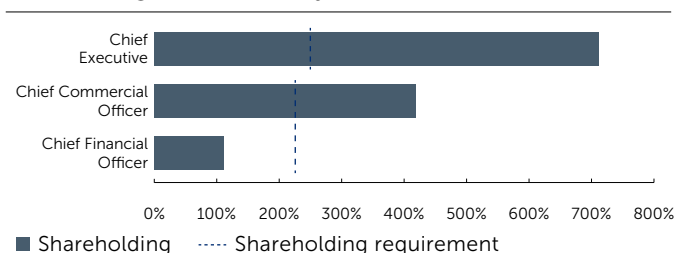
Performance Share Plan



Executive shareholding

Executive Directors are required to maintain a holding of SSE shares in order to align their interests with those of SSE's shareholders. The Chief Executive is expected to have a shareholding equivalent to 250% of base salary. Other Executive Directors are expected to maintain a shareholding of 225% of base salary. As a newly appointed Executive Director, the Chief Financial Officer is expected to build up his shareholding over a reasonable period of time.

Shareholding (% of base salary)



Annual report on remuneration

Key:

AUDITED

Table content that sits under the amber Audited rule has been subject to audit.

IMPLEMENTATION

Table content that sits under the turquoise Implementation rule is planned for implementation in 2024.

This section sets out what each Executive Director was paid for the financial year ending 31 March 2024 and explains what they will be paid for the 2024/25 financial year.

1. Single total figure of remuneration (audited)

The table below shows the single total figure of remuneration for each Executive Director over the last two years. There has been a year-on-year reduction in remuneration of 23%.

There was a reduction in total fixed pay due to the valuation of defined benefit pension for Alistair Phillips-Davies. The figure is based on the capitalised pension accrual during the period. Due to the high CPI figure required in the calculation, this value was negative, and the amount shown in the table is zero in line with reporting regulations. Gregor Alexander was also an active member of a defined benefit pension scheme up until his 60th birthday, a matter of days into the 2023/24 financial year.

Variable pay has also reduced as a result of lower Annual Incentive Plan (AIP) and Performance Share Plan (PSP) outturns compared to the previous year when performance was very strong.

Gregor Alexander stepped down from the Board as Finance Director on 30 December 2023 and Barry O'Regan joined the Board as Chief Financial Officer on 1 December 2023. In line with the disclosure in the 2023 Annual Report, Gregor's salary, benefits and AIP have been pro-rated to reflect his Board service, and any outstanding PSP awards are pro-rated to reflect the elapsed time between the start of the performance period and the date of cessation of employment on 31 March 2024.

Barry's pay is determined in sterling and then converted into euros for payment. The table shows his remuneration in sterling and where applicable, an exchange rate of £1:€1.1492 has been used. This was the 12-month average exchange rate preceding his appointment.

Gregor and Barry have each received additional remuneration for roles fulfilled outside their Board service which is not shown in the table below.

		Fixed pay				Variable pay			AUDITED	
£000s		Base salary	Benefits	Pension	Total fixed pay	AIP	PSP	Total variable pay	Total	
Alistair Phillips-Davies	2023/24	999	20	0	1,019	1,034	1,472	2,506	3,525	
	2022/23	952	27	367	1,346	1,256	2,174	3,430	4,776	
Gregor Alexander	2023/24	515	18	0	533	462	995	1,457	1,990	
	2022/23	736	24	260	1,020	841	1,470	2,311	3,331	
Martin Pibworth	2023/24	688	19	103	810	617	887	1,504	2,314	
	2022/23	655	18	127	800	750	1,100	1,850	2,650	
Barry O'Regan	2023/24	203	7	24	234	179	–	179	413	
	2022/23	–	–	–	–	–	–	–	–	
Total	2023/24	2,405	64	127	2,596	2,292	3,354	5,646	8,242	
	2022/23	2,343	69	754	3,166	2,847	4,744	7,591	10,757	

The following sections provide more detail on each element of pay including any underlying assumptions, calculations and narrative to explain the figures.

ANNUAL REPORT ON REMUNERATION – CONTINUED

Base salary

In setting base salary, the Remuneration Committee takes into account a range of internal and external factors including performance, progress against the NZAP Plus, total shareholder returns over the year, wider workforce pay, the increasingly competitive market for talent and relativity to the FTSE 20-50 peer group.

In 2022/23, salaries were increased by 5% and with effect from 1 April 2024, the Chief Executive's base salary is to be increased by 4.5%. This is lower than the pay budget for the wider workforce which was typically increased in the range of 6% to 6.5%.

The Chief Commercial Officer's role has increased in scope following the Finance Director's retirement from the Board. In particular, he is now responsible for the Procurement and Logistics function, which oversees a capital spend which is currently one of the largest in Europe and growing in line with the NZAP Plus. His base salary will increase by 9% which includes a normal salary increase of 4.5% and a further increase of 4.5% to recognise the expansion of his role.

Ahead of his appointment to the Board on 1 December 2023, it was agreed that the new Chief Financial Officer's salary would be £600,000 increasing to £650,000 from 1 April 2024, and to £700,000 from 1 April 2025, subject to review.

£000s	AUDITED			IMPLEMENTATION	
	2022/23	% increase	2023/24	% increase	2024/25
Alistair Phillips-Davies	952	5.0%	999	4.5%	1,044
Gregor Alexander	736	5.0%	515	n/a	n/a
Martin Pibworth	655	5.0%	688	9.0%	750
Barry O'Regan	n/a	n/a	203	8.3%	650

Benefits

Appropriate benefits are provided to Executive Directors taking into account market practice at similarly sized companies and the level of benefits provided to the wider workforce. Core benefits include car allowance or company car, private medical insurance and health screening. They can also participate in SSE's all-employee share schemes on the same terms as other employees.

The values shown in the table below represent the cost to the Company of providing benefits to Executive Directors. In line with the choice available to the wider employee population, part way through the year, the Chief Executive opted to participate in the Company's car scheme which has a lower associated cost than the car allowance he was in receipt of previously. This resulted in a reduction in the overall benefits value for the year.

No changes are proposed to benefits in 2024/25.

£000s	AUDITED		IMPLEMENTATION
	2022/23	2023/24	2024/25
Alistair Phillips-Davies	27	20	In line with 2023/24
Gregor Alexander	24	18	n/a
Martin Pibworth	18	19	In line with 2023/24
Barry O'Regan	n/a	7	In line with 2023/24

Pension

SSE's pension arrangements for all employees depend on when they joined the Company. This is also true for Executive Directors whose arrangements align to other employees with similar levels of service.

The Chief Executive is a member of the Southern Electric Pension Scheme, and his plan membership predates his Board appointment. He participates in the same defined benefit pension arrangements that were available to all employees recruited at that time. The scheme closed in 1999 and the service costs are 32.5% of salary. This is a funded final salary pension scheme and the terms of the scheme apply equally to all members. The Chief Executive's service contract provides for a possible maximum pension of two thirds final salary from the age of 60. An approved pension is payable from the scheme, with the balance of the pension entitlement met directly by the Company through an Unapproved Unfunded Retirement Benefits scheme (UURBS).

The former Finance Director was an active member of the Scottish Hydro-Electric Pension Scheme (SHEPS) up to his 60th birthday in April 2023, on the same terms as described above.

The Chief Executive and former Finance Director, in common with all other employees who joined at the same time (27 and 33 years ago respectively), have the following pension provisions relating to leaving the Company:

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

The former Finance Director retired from employment with SSE on 31 March 2024 after stepping down from the Board on 30 November 2023.

His terms of employment provided for a pension of around £491,000 payable from age 60. This pension is provided by two schemes, SHEPS and an UURBS. He had the option to request that the SHEPS element of his pension (£118,000) be payable from the date he left employment. As noted above, he had the option to request that a portion of his pension provided through the UURBS (£306,000) be paid as a commuted lump sum, with £67,000 being put into payment. As with previous similar requests (including that of the former Chief Executive in 2014), the Committee considered this request and, in light of the financial health of the Company and the circumstances surrounding his departure, agreed a commuted payment of £6.9m. In the Committee's judgement, and that of its actuaries, this was deemed to be cost neutral to SSE. The calculation reflected the fact that his UURBS pension was paid later than his normal retirement age of 60.

The pension values shown in the single total figure of remuneration table for the Chief Executive and the former Finance Director represent the increase in capital value of pension accrued over one-year times a multiple of 20 (net of CPI and Directors' contributions) in line with statutory reporting requirements. The value of the defined benefit pension for the Chief Executive is based on the capitalised pension accrual (net of CPI inflation) during the period, less the direct employee contribution of £22,400. Due to the high CPI figure required to be used in the calculation, the outcome of this calculation was negative £164,800. As the aggregate value of these elements is negative, in line with the Directors' Remuneration Report regulations, the amount included is zero.

The actual pension accrued by the Chief Executive and former Finance Director during the year is shown in the table below:

£000s	2022/23	2023/24
Alistair Phillips-Davies	549	597
Gregor Alexander	461	1

The Chief Commercial Officer, who has been with SSE since 1998, receives a cash allowance in lieu of pension contributions at 15% of base salary which is in line with the employer contribution for the majority of SSE's employees, taking into account length of service. This follows a phased reduction from 30% of base salary.

The new Chief Financial Officer participates in the SSE Ireland Pension Scheme which is a defined contribution arrangement. The Company makes contributions equivalent to 12% of base salary aligned to the policy for new appointments and that of the majority of employees.

£000s	AUDITED		IMPLEMENTATION
	2022/23	2023/24	2024/25
Alistair Phillips-Davies	357	0	No change
Gregor Alexander	260	0	n/a
Martin Pibworth	127	103	No change
Barry O'Regan	n/a	24	No change

ANNUAL REPORT ON REMUNERATION – CONTINUED

Annual Incentive Plan

The Annual Incentive Plan (AIP) requires broad performance across a range of financial and strategic metrics which are set at the beginning of the financial year. For 2023/24, performance was assessed at 69% of the maximum opportunity for Executive Directors other than the Chief Financial Officer who received a lower outturn for the personal element of the AIP on account of his recent appointment, resulting in an award of 68% of the maximum opportunity. A detailed performance scorecard is shown on the following pages.

The total award is made up of 67% paid in cash, and the remaining 33% as shares deferred for a period of three years. The former Finance Director's and the new Chief Financial Officer's awards have been pro-rated to reflect their respective Board service.

AUDITED

£000s	AIP award for 2023/24			
	Maximum opportunity as % of base salary	AIP cash	AIP deferred as shares	AIP total
Alistair Phillips-Davies	150%	693	341	1,034
Gregor Alexander	130%	462	0	462
Martin Pibworth	130%	414	204	617
Barry O'Regan	130%	120	59	179

AIP Performance Scorecard

AIP measures and a summary of performance are shown in the table below. The outturns have been arrived at by applying formulaic assessment (where possible), judgement, logic, and relativity to past performance. Further details of the performance of each measure is provided beneath the scorecard.

As part of their performance assessment, the Remuneration Committee has also considered SSE's performance in the round and against our pay principles. It is satisfied that the outcomes noted below are appropriate and reflective of performance in the year, and agreed that no further discretion should be applied.

	Measure	Weighting	Threshold	Maximum	Outcome	Performance (% of max)	Outturn (% of total bonus)
Financial (50%)	Adjusted Earnings Per Share (EPS) Underlying measure of financial performance and a strategic KPI	30%	143p	175p	158.5p	49%	15%
	Cashflow Net debt to EBITDA.	20%	3.5	3.0	3.0	100%	20%
	Personal Assessment against a range of personal objectives set at the beginning of the year	10%	Rating 1	Rating 5	Rating 4+ (Rating 4 for new CFO)	80% (70%)	8% (7%)
Strategic (50%)	Operational Operational goals relating to safety, capital delivery and operational performance	30%	See details below		Majority of goals at or above target	53%	16%
	Sustainability Sustainability performance independently assessed relative to peer groups	10%	Median ranking	Upper quintile ranking	Average 91st percentile	100%	10%
Total							69% (68% for CFO)

Adjusted Earnings Per Share (30%)

Adjusted Earnings Per Share for 2023/24 were just below budget for the year resulting in a 49% outturn for this measure using a formulaic assessment.

Cashflow (20%)

The Cashflow metric for 2023/24 has performed well at 3.0 resulting in a 100% outturn for this measure based on a formulaic assessment.

Personal (10%)

Executive Directors have detailed personal objectives which are set and agreed by the Committee at the start of the year, and subsequently assessed at year-end based on judgement, logic, and relativity to past performance. As a substantial majority of objectives set were at or above target, the Chief Executive and Chief Commercial Officer were rated 4+ on a 1 to 5 rating scale. This resulted in an 80% outturn for this measure. As the Chief Financial Officer is new in role, the Committee determined a rating of 4 and an outturn of 70% would be appropriate. The table below provides a summary.

Summary of objectives set	Summary of performance assessment
Safety, financial performance, strategy and transformation, operational performance, stakeholder management, team and personal development, and inclusion and diversity.	Overall, a good performance year. Financial performance was in line with expectations despite a tougher operating environment. Seagreen was delivered and first power achieved at Slough Multifuel. Construction underway in onshore Europe. Strong progress made in SSEN Transmission with the ASTI projects and a major supplier framework arrangement put in place. Good progress made in SSEN Distribution to set it up for the future. A strong year for Energy Customer Solutions with a new billing system implemented. Progress at Dogger Bank was slower than anticipated and progress remains a key area of focus. Safety was strong for SSE staff and a disappointing start for contract partners was improved in the second half of the year. The flagship immersive safety training was delivered to over 1,300 staff with a purpose built centre launched in Perth.

Operational (30%)

At the beginning of the year the Committee reviewed and set key operational measures which come under one of three distinct areas worth 10% each; safety; capital delivery; and operational performance. The Committee reviews both targets set and also considers broader performance in each of these areas when determining overall outturns. In 2023/24 most goals were assessed at being at or above target and this resulted in a 53% outturn. The table below provides a summary.

Measure	Factor	Summary performance	Weighting	Performance outcome	Outturn
Safety	Overall employee and contractor safety performance including TRIR	Despite strong SSE employee safety performance well ahead of target TRIR and a lowest ever sickness absence level of 4.2 days per year, the Committee decided that overall outturns should be reduced as a result of both a below target contract partner TRIR and the contract partner employee fatality (described in more detail on page 154 onwards).	10%	40%	4%
Capital delivery	Large capital project (LCP) performance, SSEN Distribution capex, SSEN Transmission RAV, SSE Renewables pipeline, Energy Customer Solutions (ECS) billing system	LCP performance – Seagreen completed, Dogger Bank construction slower than planned, Viking and Slough Multifuel progressing well. SSEN Distribution capex increased by 20% on previous year. SSEN Transmission RAV significantly outperformed. SSE Renewables pipeline – 1GW in Poland, 500MW in Ireland, 400MW in Scotland. ECS billing system fully implemented.	10%	65%	7%
Operational performance	SSEN Distribution incentive performance, SSEN Transmission network reliability, SSE Renewables availability and production, SSE Thermal availability and reliability	SSEN Distribution incentive performance below target against a backdrop of 10 named storms. Achieved 95% of the available reward through the 'Energy Not Supplied' (ENS) incentive. Challenging year for SSE Renewables availability and production. Lower than expected SSE Thermal availability/reliability offset by strong performance from Great Island, Medway and Peterhead.	10%	54%	5%
Total			30%	53%	16%

ANNUAL REPORT ON REMUNERATION – CONTINUED

Sustainability (10%)

Since 2022, SSE has linked AIP to sustainability through a measure which assesses performance against three external sustainability indices which rank SSE against a peer group based on a number of ESG metrics. High thresholds were set with a maximum outcome only available for upper quintile performance. SSE's average performance is in the 91st percentile (an increase from the 85th percentile the previous year), and so the outcome is 100%. The table below provides details.

Measure	Factors considered in ESG assessment	Assessment	Weighting	Performance outcome	Outcome
Moody's ESG Assessment (Electric & Gas Utilities – European peer group consisting of 65 companies)	Environment; Human Resources; Human Rights; Community Involvement; Business Behaviour; Corporate Governance.	Score: 71/100; 91st percentile; Upper quintile (Oct 23)			
Sustainalytics ESG Risk Rating (Electric Utilities subindustry – global peer group consisting of c.270 companies)	Carbon – own operations; Emissions, Effluents and Waste; Resource Use; Land Use and Biodiversity; Business Ethics; Corporate Governance; Product Governance; Community Relations; Human Capital; Occupational Health and Safety.	Score: 20.4; 90th percentile; Upper quintile (Aug 23)			
S&P Global CSA (Electric Utilities peer group – global peer group consisting of c.270 companies)	26 different categories which cover all the above and additional issues such as Policy Influence, Information and Cyber Security, Talent Attraction and Retention, Stakeholder Engagement, and Climate Strategy.	Score: 72/100; 91st percentile; Upper quintile (Mar 24)			
Average Ranking: 91st percentile; Upper quintile			10%	100%	10%

IMPLEMENTATION

AIP – performance measures for 2024/25

There will be no changes to AIP quantum for 2024/25.

AIP measures in 2024/25 will remain largely unchanged. Adjusted Earnings Per Share and cashflow remain key measures for the AIP. Targets are set annually and are aligned with the NZAP Plus and take into account wider market factors. These will be disclosed in next year's Directors' Remuneration Report.

Measure	Weighting
Financial (50%)	
Adjusted Earnings Per Share (EPS) Underlying measure of financial performance and a strategic KPI	30%
Cashflow Net debt divided by EBITDA	20%
Strategic (50%)	
Personal Assessment against a range of personal objectives set at the beginning of the year	10%
Operational* Operational targets relating to safety, capital delivery and operational performance	30%
Sustainability Sustainability performance independently assessed relative to peer groups by three external ratings agencies – Moody's, Sustainalytics and S&P Global	10%

Examples of the operational measures that will be considered are as follows:

- Safety: employee and contractor safety performance
- Capital delivery: LCP performance, SSEN Distribution capex, SSEN Transmission RAV, SSE Renewables pipeline
- Operational performance: SSEN Distribution incentives, SSEN Transmission network reliability, SSE Renewables availability and production, SSE Thermal availability and reliability

Performance Share Plan

The Performance Share Plan (PSP) is a long-term incentive plan whereby a grant of shares is made to Executive Directors before vesting to them three years later subject to performance conditions which are designed to encourage sustainable value creation, consistent with effective stewardship and encouraging good decision-making for the long term. Under the 2021 PSP, which matures in 2024, a range of value creation, financial and operational performance metrics are assessed. Performance has been assessed at 62% of the maximum opportunity. Shares awarded are subject to an additional two-year post-vesting holding period.

The table below provides details of the 2021 PSP award vesting in 2024. The estimated value is based on the average share price in the three months up to 31 March 2024 of £16.70 and the proportion of the award associated with share price appreciation is 10%. As the award will not vest until after publication of this report, the actual value on vesting will be restated in next year's report.

AUDITED

2021 PSP Award Vesting

	Maximum opportunity as % of base salary	Share awards available	Additional awards in respect of accrued dividends	Total number of shares vesting	Estimated value of awards vesting £000s	Share price appreciation £000s
Alistair Phillips-Davies	200%	122,131	20,009	88,126	1,472	138
Gregor Alexander	175%	82,597	13,531	59,599	995	94
Martin Pibworth	175%	73,597	12,055	53,104	887	84
Barry O'Regan	n/a	–	–	–	–	–

The new Chief Financial Officer will receive his first grant under the PSP in 2024 which will vest in 2027. In the interim, he will continue to receive awards which were granted before he joined the Board under the below-Board LTIP, the Leadership Share Plan (LSP). As this award does not relate to his Board service, it has not been reported in the total single figure of remuneration table. The value of the award vesting under the LSP in 2024 will be £212,424.

PSP Performance Scorecard

PSP measures and a summary of performance are shown in the table below. The outturns have been arrived at by applying formulaic assessment which the Remuneration Committee have reviewed taking into account the wider environment. They believe that the outcomes are fair in the context of wider performance over the three-year period, in particular the value created for shareholders and taking shareholder interest into account.

	Measure	Weighting	Threshold	Maximum	Outcome	Performance (% of max)	Outturn (% of total award)
Value creation (40%)	TSR FTSE 100 Relative share price (plus dividends) performance against FTSE 100	20%	Median ranking	Upper quartile ranking	Rank 31 of 95	79%	16%
	TSR MSCI Relative share price performance against the MSCI European Utilities Index	20%	Median ranking	Upper quartile ranking	Rank 6 of 24	100%	20%
Financial (40%)	EPS growth Real growth in EPS over the three-year performance period	20%	Growth equal to RPI	Growth in excess of RPI + 10%	In excess of RPI+ 10%	100%	20%
	DPS growth Real growth in DPS over the three-year performance period	20%	Growth equal to RPI	Growth in excess of RPI + 5%	Below RPI (in line with policy)	0%	0%
Operational (20%)	Customer – SSEN Distribution Customer service ranking in the DNO customer service league tables	10%	Median ranking	Upper quartile ranking	Below median	0%	0%
	Customer – SSE Business Energy Customer service ranking in the Citizens Advice non-domestic energy supplier league table	10%	Median ranking	Upper quartile ranking	Average rank 5 out of 16	60%	6%
Total							62%

ANNUAL REPORT ON REMUNERATION – CONTINUED

IMPLEMENTATION

PSP – performance measures for the 2024 award

There will be no changes made to PSP quantum for the 2024 award.

In 2022, the PSP measures were amended, and the first award assessed under the new measures will reach maturity in 2025. There are no changes proposed to the measures at this stage, and the award granted in 2024 will use the same measures as the previous two years. These are shown below.

Measure	Description	Weighting	Threshold	Maximum
TSR FTSE 100	Relative share price performance against FTSE 100	20%	50th percentile (20% outturn)	80th percentile (100% outturn)
TSR MSCI	Relative share price performance against the MSCI European Utilities Index	30%	50th percentile (20% outturn)	80th percentile (100% outturn)
Adjusted Earnings Per Share	Growth targets in line with SSE's plan over three years linked to the NZAP Plus	20%	165p (20% outturn)	200p (100% outturn)
Strategic	Performance in the four main areas of the implementation of the NZAP Plus	15%	Details below	
Sustainability	Performance linked to SSE's UN Sustainable Development Goals 2030	15%	Details below	

The Strategic measure will be based on the Remuneration Committee's assessment of SSE's performance in relation to the following:

Strategic area of the NZAP Plus	Measures and targets
Renewables	Aiming to achieve around 9GW of development pipeline subject to sell downs, consenting and achievable returns while maintaining financial discipline
Networks growth	Achieve RAV growth in SSEN Transmission at or above £7.5bn (on current 75% ownership basis) and SSEN Distribution above £6.5bn subject to adjustment for any Board approved sell downs
Energy businesses	Solar and battery installed capacity to meet 1GW by FY27
Customer	On course to be a leading PPA player in the market by FY27

The Sustainability measure will be linked to SSE's 2030 business goals which are aligned to four of the UN's Sustainable Development Goals as follows:

UN SDG	Measures and targets
SDG 13 Climate Action	Reduce scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels, to 61gCO ₂ e/kWh – Scope 1 carbon intensity reduction to 61gCO ₂ e/kWh
SDG 7 Affordable and Clean Energy	Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030 – SSE Renewables output TWh tracked to 2027/28 – SSE Renewables output TWh by 2030/31
SDG 9 Industry, Innovation and Infrastructure	Enable at least 20GW of renewable generation and facilitate around 2 million EVs and 1 million heat pumps on SSEN's electricity networks by 2030 – GW renewable generation capacity connected within SSEN's electricity transmission network area by 2027 – Low-carbon technologies connected to SSEN's local electricity distribution networks area by 2028
SDG 8 Decent Work and Economic Growth	Be a global leader for the just transition to net zero, with a guarantee of fair work and commitment to paying fair tax and sharing economic value – Achieve continued thought leadership on just transition, as recognised in external benchmarks

Non-Executive Directors' Remuneration

This table below sets out what each non-Executive Director was paid for the financial year ending 31 March 2024 relative to the previous financial year.

There have been a number of changes to the Board and it's Committees over the course of the year, as follows:

- Sue Bruce and Peter Lynas stepped down from the Board on 31 March 2023 and 20 July 2023 respectively
- Elish Angiolini was appointed as non-Executive Director for Employee Engagement and Melanie Smith became Remuneration Committee Chair on 1 April 2023, succeeding Sue Bruce who previously held both roles
- John Bason was appointed as the Audit Committee Chair on 20 July 2023, succeeding Peter Lynas
- Maarten Wetselaar joined the Board on 1 September 2023
- Helen Mahy was appointed as Senior Independent Director from 1 November 2023, succeeding Tony Cocker who remains on the Board as a non-Executive Director and Chair of the Energy Markets Risk Committee.

£000s	AUDITED	
	2022/23	2023/24
Elish Angiolini	75	96
John Bason	62	93
Sue Bruce	104	n/a
Tony Cocker	109	107
Debbie Crosbie	75	79
Peter Lynas	94	30
Helen Mahy	90	104
John Manzoni	412	433
Melanie Smith	75	99
Angela Strank	75	79
Maarten Wetselaar	n/a	46

IMPLEMENTATION

Non-Executive Directors' Fees 2024/25

Fees are typically reviewed annually in a way that is consistent with wider remuneration policy, and relative to other companies of a similar size and complexity. In 2023/24, the Chair's fee and the base non-Executive Director fees were increased by 5%, in line with Executive Directors' salary increases. Fees for Committee Chair roles and the non-Executive Director for Employee Engagement were slightly larger to reflect the increased time commitment required of these roles.

Once again, the Chair and base non-Executive Director fee will increase in line with Executive Directors at 4.5% for 2024/25. A review of independently sourced benchmark data suggested that fees for the various Committee Chair roles and the Non-Executive Director for Employee Engagement had fallen behind the FTSE 20-50 peer group and as such, further increases were recommended to reflect the time commitments associated with these roles.

Fee levels for 2024/25 are shown in the table below.

£000s	2023/24	2024/25
Chair fee	433	450
Base fee	79	82
Senior Independent Director	20	25
Audit Committee Chair	20	25
Remuneration Committee Chair	20	25
Energy Markets Risk Committee Chair	17	20
Safety, Sustainability, Health and Environment Advisory Committee Chair	17	20
Non-Executive Director for Employee Engagement	17	20

ANNUAL REPORT ON REMUNERATION – CONTINUED

Share interests and share awards (audited)

Directors' share interests

The table below shows the share interests of the Executive and non-Executive Directors at 31 March 2024.

Director	*Shareholding requirement as a % of salary (Actual/% met)	Number of shares			Number of options			Shares owned outright at 31 March 2023
		Shares owned outright at 31 March 2024	Interests in shares, awarded without performance conditions at 31 March 2024 (DBS Awards)	Interests in shares, awarded subject to performance conditions at 31 March 2024 (PSP Awards)	Interests in shares, awarded subject to performance conditions at 31 March 2024 (LSP Awards)	Interests in share options, awarded without performance conditions at 31 March 2024	Interests in share options, awarded subject to performance conditions at 31 March 2024	
Alistair Phillips-Davies	712% (250% – met)	431,416	64,564	391,986	–	–	–	359,184
Gregor Alexander (Resigned 01/12/23)	729% (225% – met)	341,488	43,249	176,789	–	–	–	292,815
Martin Pibworth	418% (225% – met)	166,083	37,229	240,859	–	2,338	–	130,006
Barry O'Regan (Appointed 01/12/23)	111% (below 225%)	40,294	8,682	0	48,156	–	–	0
Elish Angiolini		2,000	–	–	–	–	–	2,000
John Bason		2,117	–	–	–	–	–	0
Tony Cocker		5,000	–	–	–	–	–	5,000
Debbie Crosbie		2,000	–	–	–	–	–	2,000
Peter Lynas (Resigned 20/07/23)		5,000	–	–	–	–	–	5,000
Helen Mahy		3,310	–	–	–	–	–	3,310
John Manzoni		2,622	–	–	–	–	–	2,519
Melanie Smith		2,174	–	–	–	–	–	2,174
Angela Strank		2,152	–	–	–	–	–	2,152
Maarten Wetselaar (Appointed 01/09/23)		4,000	–	–	–	–	–	0

* Shareholding requirement:
The Shareholding requirement is 250% of base salary for the Chief Executive and 225% for other Executive Directors.
Price used to calculate shareholding requirement as % of salary as at 28/03/24 £16.5000
Shares owned outright include holdings of any connected persons.

Directors' Long-term Incentive Plan interests

Deferred Bonus awards granted in 2023 and PSP awards granted in 2023

The tables below shows the Deferred Bonus awards and PSP awards granted to Executive Directors in 2023.

Deferred Bonus Awards Granted 2023

(in relation to the AIP payable for 2022/23)

Recipient	Date of Grant	Shares Granted	Market Value on date of award	Face Value
Gregor Alexander	01/06/2023	14,945	£18.80	£280,966
Barry O'Regan	01/06/2023	2,783	£18.80	£52,320
Alistair Phillips-Davies	01/06/2023	22,310	£18.80	£419,428
Martin Pibworth	01/06/2023	13,316	£18.80	£250,341
				£1,003,055

PSP Awards Granted 2023

Recipient	Date of Grant	Shares Granted	Market Value on date of award	Face Value
Gregor Alexander	01/06/2023	0	£18.80	£0
Alistair Phillips-Davies	01/06/2023	134,448	£18.80	£2,527,622
Martin Pibworth	01/06/2023	83,334	£18.80	£1,566,679
				£4,094,302

Directors' Long-term Incentive Plan interests

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

Share Plan	Date of Award	Normal Exercise Period (or Vesting Date)	No. of shares under award as at 1 April 2023	Option Exercise Price	Additional shares awarded during the year	No. of shares lapsed during the year incl. dividend shares	No. of shares realised during the year incl. dividend shares	No. of shares under award at 31 March 2024	
Gregor Alexander	DBP 2016 ²	26/06/2020	26/06/2023	12,494	–	–	–	12,494 ⁴	–
	DBP 2016 ²	06/07/2021	06/07/2024	13,832	–	–	–	–	13,832
	DBP 2016 ²	22/07/2022	22/07/2025	14,472	–	–	–	–	14,472
	DBP 2016 ²	01/06/2023	01/06/2026	–	–	14,945 ³	–	–	14,945
	PSP ¹	26/06/2020	26/06/2023	88,761	–	–	25,061	79,351 ⁴	–
	PSP ¹	06/07/2021	06/07/2024	82,597	–	–	–	–	82,597
	PSP ¹	22/07/2022	22/07/2025	94,192	–	–	–	–	94,192
	Sharesave	21/07/2020	01/10/23 – 31/03/24	–130	1,107p	–	–	130	–
Barry O'Regan	DBP 2016 ²	06/07/2021	06/07/2024	2,534	–	–	–	–	2,534
	DBP 2016 ²	22/07/2022	22/07/2025	3,365	–	–	–	–	3,365
	DBP 2016 ²	01/06/2023	01/06/2026	–	–	2,783 ³	–	–	2,783
	LSP ¹	06/07/2021	06/07/2024	15,616	–	–	–	–	15,616
	LSP ¹	22/07/2022	22/07/2025	13,864	–	–	–	–	13,864
	LSP ¹	01/06/2023	01/06/2026	–	–	18,676 ³	–	–	18,676
Alistair Phillips-Davies	DBP 2016 ²	26/06/2020	26/06/2023	18,652	–	–	–	18,652 ⁴	–
	DBP 2016 ²	06/07/2021	06/07/2024	20,650	–	–	–	–	20,650
	DBP 2016 ²	22/07/2022	22/07/2025	21,604	–	–	–	–	21,604
	DBP 2016 ²	01/06/2023	01/06/2026	–	–	22,310 ³	–	–	22,310
	PSP ¹	26/06/2020	26/06/2023	131,244	–	–	37,057	117,330 ⁴	–
	PSP ¹	06/07/2021	06/07/2024	122,131	–	–	–	–	122,131
	PSP ¹	22/07/2022	22/07/2025	135,407	–	–	–	–	135,407
	PSP ¹	01/06/2023	01/06/2026	–	–	134,448 ³	–	–	134,448
Martin Pibworth	DBP 2016 ²	26/06/2020	26/06/2023	9,350	–	–	–	9,350 ⁴	–
	DBP 2016 ²	06/07/2021	06/07/2024	11,174	–	–	–	–	11,174
	DBP 2016 ²	22/07/2022	22/07/2025	12,739	–	–	–	–	12,739
	DBP 2016 ²	01/06/2023	01/06/2026	–	–	13,316 ³	–	–	13,316
	PSP ¹	26/06/2020	26/06/2023	66,430	–	–	18,758	59,384 ⁴	–
	PSP ¹	06/07/2021	06/07/2024	73,597	–	–	–	–	73,597
	PSP ¹	22/07/2022	22/07/2025	83,928	–	–	–	–	83,928
	PSP ¹	01/06/2023	01/06/2026	–	–	83,334 ³	–	–	83,334
	Sharesave	12/07/2019	01/10/24 – 31/03/25	1,664	901p	–	–	–	1,664
	Sharesave	13/07/2022	01/10/25 – 31/03/26	674	1,335p	–	–	–	674

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

Gregor Alexander received 14,093 shares, Alistair Phillips-Davies received 20,871 shares and Martin Pibworth received 10,544 shares.

¹ The performance conditions applicable to awards under the PSP are described on page 169 and 170. The 2020 awards under the PSP vested at 76%.

² 33% of annual bonus payable to Executive Directors and Senior Managers is satisfied as a conditional award of shares under the DBP 2016. Vesting of shares under the DBP 2016 is dependent on continued service over a three-year period.

³ The market value of a share on the date on which these awards were made was 1,880p.

⁴ The market value of a share on the date on which these awards were realised was 1,880p.

The closing market price of shares at 28 March 2024 was 1,650p and the range for the year was 1,508p to 1,900p. Awards granted during the year were granted under the DBS and PSP. The aggregate amount of gains made by the Directors on the exercise of share options and realisation of awards during the year was (before tax) £5,627,470 (2023 – £4,715,794).

ANNUAL REPORT ON REMUNERATION – CONTINUED

2. The wider context of remuneration

In this section, Executive Directors' remuneration is considered in the wider context, including relativity to the wider workforce, shareholder returns and other financial dispersals. These are some of the factors taken into account by the Remuneration Committee in setting pay for Executive Directors.

Relativities to wider workforce pay

Similar pay principles apply to all employees across SSE and there are commonalities between executive pay and below-Board pay. While the Remuneration Committee's responsibilities focus on the pay arrangements for Executive Directors and the Group Executive Committee, it is fully briefed on pay arrangements for the wider workforce and take this into account in its decision making. The table below shows how pay is aligned across employee groups.

	Executive Directors and Group Executive Committee (GEC)	Wider workforce
Base salary	Base salaries are reviewed annually taking into account: skills, experience and performance; salary levels at other UK listed companies of a similar size and complexity; wider internal pay arrangements; and the overall policy objective of setting competitive, but not excessive remuneration against benchmarks.	There are two main groups of employees. Around half of employees are subject to collective bargaining through our recognised trade unions. Annual increases are based on the attainment of skills. The other half of employees have salaries set with reference to market requirements. Annual increases are based on a performance pay matrix.
Benefits	Voluntary benefits are provided in line with the wider workforce plus contractual entitlements to car and private medical benefits.	Some employees receive contractual car and medical benefits. All employees have access to a comprehensive suite of voluntary benefits including private medical benefits, a salary sacrifice car scheme, holiday purchase, financial wellbeing benefits and a range of family friendly benefits.
Pension	Pensions arrangements are aligned with the wider workforce.	All employees are members of a defined contribution pension scheme, or one of our legacy defined benefit pension schemes, unless they have opted out. The arrangements are diverse and the employer costs typically range from 3% to 32.5% of salary when both defined contribution and defined benefit schemes are taken into account.
Annual incentive	Executive Director's AIP is linked directly to Group performance and structured 50% financial and 50% non-financial. The award is delivered as 67% cash and 33% deferred shares. GEC members participate on the same basis as other eligible employees.	Around half of the wider employee population is eligible for AIP. Awards are linked to performance of the Group (per the Executive Directors), the employee's business or function, and the employee's individual performance rating. Those in leadership roles may have a portion of their award deferred as shares.
Long term incentive	Executive Directors participate in the PSP which is a share award over three years with performance linked to value creation, financial, strategic and sustainability measures (from the 2022 grant onwards). GEC members participate in the below-Board Leadership Share Plan on the same basis as others in leadership roles.	Those in senior leadership roles are eligible for the Leadership Share Plan, which is a share award over three years with part focused on retention and the remainder performance linked to both Group and business strategic progress in relation to the NZAP Plus. All employees may participate in a Share Incentive Plan and SAYE.

Chief Executive pay ratio

SSE's remuneration policy is designed with fairness in mind – fairness to Executive Directors in recognition of the extent of their responsibilities, and fairness relative to the rest of the SSE team. Taking this into account, a Chief Executive to employee pay ratio has been disclosed in the Annual Report since 2016, before reporting became mandatory in 2019.

The following table shows the Chief Executive pay ratio over time based on methodology C which uses Gender Pay Gap data as the basis but also includes other important components of pay at SSE such as overtime and employer's contribution to pension, and excludes salary sacrifice arrangements. The 2023/24 pay ratio will be recalculated next year in line with the restating of the Chief Executive's total single figure of remuneration which will be revised based on the actual value of the PSP award on vesting. Previous ratios may have been restated for the same reason.

Year	Calculation Methodology	25th percentile ratio	Median ratio	75th percentile ratio
2023/24	C	94:1	65:1	48:1
2022/23	C	136:1	100:1	73:1
2021/22	C	141:1	106:1	76:1
2020/21	C	95:1	73:1	52:1
2019/20	C	83:1	59:1	44:1
2018/19	C	57:1	42:1	30:1

The table below sets out base salary, and total pay and benefits for the Chief Executive and UK employees at the 25th, 50th and 75th percentile. The total pay figures have been used to determine the pay ratios above.

£000s	Chief Executive		UK employees					
	Base salary	Total pay	25th percentile		Median		75th percentile	
			Base salary	Total pay	Base salary	Total pay	Base salary	Total pay
2023/24	999	3,525	31	38	42	54	57	73
2022/23	952	4,776	29	35	37	48	51	65
2021/22	924	4,655	28	33	36	44	49	61
2020/21	915	3,045	28	32	35	42	48	59
2019/20	890	2,418	–	29	–	41	–	55
2018/19	866	1,639	–	29	–	39	–	54

A large proportion of the Chief Executive's pay is based on performance and the flow through to variable pay, and so the pay ratio could vary significantly from year to year. The Chief Executive's total pay has reduced by 26% as a result of a reduced pension valuation and lower incentive outturns relative to the previous year. Conversely, there has been an increase in employee base salary and total pay as a result of salary increases linked to CPI at a time when supporting employees through the cost of living crisis was a priority. This has resulted in a change in the headline ratio from 100:1 in 2023 to 65:1 in 2024.

Further information on below-Board pay including the Gender Pay Gap can be found on [pages 42 to 45](#) and in the [Sustainability Report](#).

Change in remuneration of Directors and employees

The table below shows the percentage change in the annual remuneration of Directors and UK employees over the past four years, as required by the reporting regulations. These changes reflect the information provided in the single total figure of remuneration table.

Director	2020/21 v 2019/20			2021/22 v 2020/21			2022/23 v 2021/22			2023/24 v 2022/23		
	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus
Non-Executive Directors												
Elish Angiolini	–	–	–	–	–	–	–	–	–	28%	–	–
John Bason	–	–	–	–	–	–	–	–	–	48%	–	–
Tony Cocker	13%	–	–	11%	–	–	3%	–	–	-1%	–	–
Debbie Crosbie	–	–	–	–	–	–	–	–	–	5%	–	–
Helen Mahy	2%	–	–	1%	–	–	3%	–	–	16%	–	–
John Manzoni	–	–	–	–	–	–	3%	–	–	5%	–	–
Melanie Smith	3%	–	–	1%	–	–	3%	–	–	32%	–	–
Angela Strank	–	–	–	–	–	–	3%	–	–	5%	–	–
Executive Directors												
Alistair Phillips-Davies	3%	0	20%	1%	4%	21%	3%	3%	9%	5%	-27%	-18%
Martin Pibworth	11%	6%	30%	11%	0%	32%	3%	1%	11%	5%	5%	-18%
All employees	6%	8%	10%	6%	3%	51%	22%	16%	6%	25%	11%	36%

Relative importance of the spend on pay

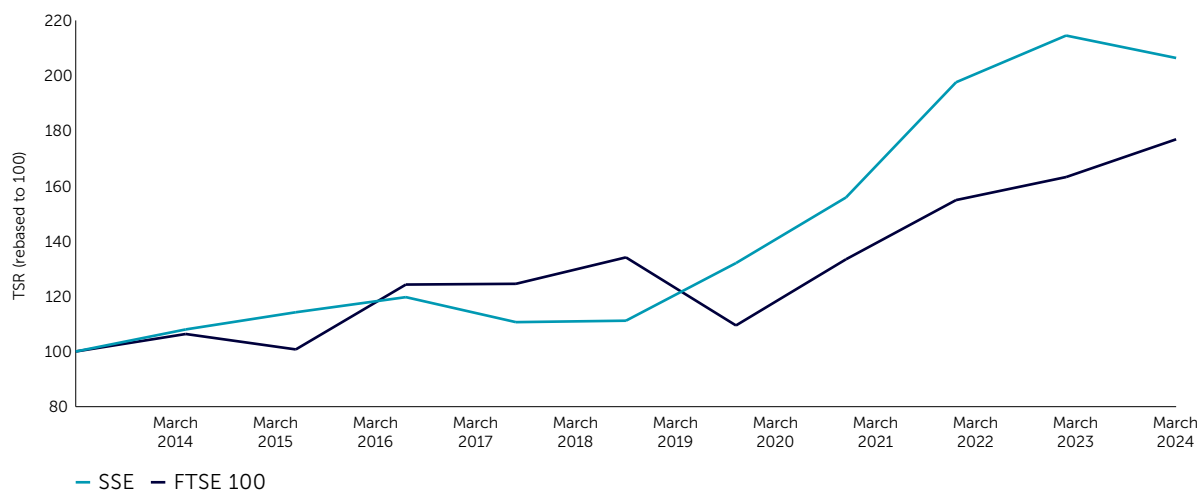
The table below indicates how the earnings of Executive Directors compare with SSE's other financial dispersals. For every £1 spent on Executive Directors' earnings by SSE in 2023/24, £83 was paid in tax, £114 was spent on employee costs and £302 was spent on capital and investment expenditure. In addition, £117 was made in dividend payments to shareholders for every £1 spent on Executive Directors' earnings.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Executive Directors' earnings	5.3	3.6	5.1	6.8	10.4	10.4	8.2
Dividends to shareholders	926.1	973.0	948.5	836.4	862.3	955.8	956.4
Adjusted investment, capital and acquisition expenditure	1,503.0	1,422.9	1,371.9	912.0	2,067.8	2,803.3	2,476.7
Total UK taxes paid (profits, property, environment and employment taxes)	484.1	403.7	421.6	379.0	335.3	501.7	679.2
Staff costs	665.6	653.5	684.7	700.4	688.7	771.8	938.4

ANNUAL REPORT ON REMUNERATION – CONTINUED

Total shareholder return (TSR)

The graph below shows SSE TSR performance over the last ten years relative to FTSE 100 performance. The FTSE 100 index has been chosen because SSE has been a constituent member throughout the period.



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

Directors	Single total figure of remuneration (£'000)	Annual variable element award (% of maximum)	Long-term incentive vesting (% of maximum)	Application of discretion
2023/24 (Alistair Phillips-Davies)	3,525	69	62	
2022/23 (Alistair Phillips-Davies)	4,776	88	76	Downward discretion applied to AIP
2021/22 (Alistair Phillips-Davies)	4,655	83	66	
2020/21 (Alistair Phillips-Davies)	3,045	69	28	Downward discretion applied to AIP
2019/20 (Alistair Phillips-Davies)	2,418	59	27	
2018/19 (Alistair Phillips-Davies)	1,639	0	26	Downward discretion applied to AIP
2017/18 (Alistair Phillips-Davies)	2,693	78	30	
2016/17 (Alistair Phillips-Davies)	2,917	72	46	Downward discretion applied to AIP
2015/16 (Alistair Phillips-Davies)	1,696	54	0	
2014/15 (Alistair Phillips-Davies)	2,311	64	0	

3. Governance

External appointments

Executive Directors are able to accept non-Executive appointments outside SSE with the consent of the Board, as such appointments can enhance their experience and value to SSE. Any fees received are retained by the Director.

The Chief Executive is a non-Executive Director of Anglian Water Services Limited for which he receives an annual fee of £59,177. None of the other Executive Directors hold any paid external appointments.

Payments for loss of office and payments to past Directors

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

Advice to the Remuneration Committee

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

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

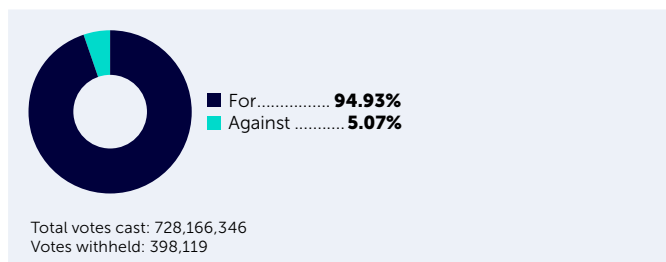
FIT Remuneration Consultants LLP (FIT) provided a range of information to the Committee which included market data drawn from published surveys, governance developments and their application to SSE, advice on remuneration disclosures and regulations and comparator group pay. FIT received fees of £97,950 in relation to their work for the Committee, calculated on a time and materials basis. FIT are founding members of, and adhere to, the Remuneration Consultants' Group Code of Conduct. The Code defines the roles of consultants, including the requirement to have due regard to the organisation's strategy, financial situation, pay philosophy, the Board's statutory duties and the views of investors and other stakeholders. The Committee reviews the advisers' performance annually to determine that it is satisfied with the quality, relevance, objectivity and independence of advice being provided. FIT provides no other services and has no other connection to SSE or individual Directors.

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

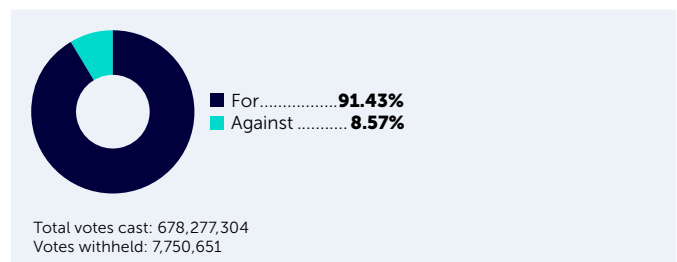
Shareholder voting in 2023

On 20 July 2023, shareholders approved the Annual Remuneration Report for the year ended 31 March 2023. On 21 July 2022, shareholders approved the current Directors' Remuneration Policy. The results of the resolutions are shown below.

Annual report on remuneration – shareholder voting in 2023



Directors' Remuneration Policy – shareholder voting in 2022



Employee engagement

The Board actively seeks opportunities for two-way dialogue with SSE's employees. Engagement activity is diverse and includes face-to-face meetings, site visits, attendance at employee events and virtual meetings. During the year, feedback has been gathered on a wide range of topics including pay. Further information on 'Hearing and responding to employees' can be found on [pages 128 and 129](#).

Ahead of the Remuneration Policy renewal in 2025, the Remuneration Committee Chair will be seeking views on executive remuneration from a range of stakeholders including employees.

Remuneration Committee

The Terms of Reference for the Committee were reviewed during 2023/24 and are available on SSE's website ([sse.com](#)). A summary of the role of the Committee can be found on the first page of the Directors' Remuneration Report. No material changes were made to the Terms of Reference during the year.

The members of the Committee and the meetings attended are set out on [page 122](#). The focus of each of the meetings was as follows:

May 2023	Confirmed AIP and PSP performance outcomes Set AIP and PSP performance measures for the year ahead Reviewed below-Board pay arrangements
November 2023	Received a post-AGM season market and governance update Reviewed how AIP and PSP measures were tracking against performance Agreed the leaving arrangements of the Finance Director Carried out a remuneration risk assessment
March 2024	Reviewed how AIP and PSP measures were tracking against performance Agreed salary and fee increases for Executive Directors and the Chair Reviewed Committee Terms of Reference and evaluation outcomes

Directors' Remuneration Policy – a summary

Introduction

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

Principles

The Committee believes it is essential that our overall Remuneration Policy is strongly aligned to SSE's purpose and strategy. The Committee also believes that SSE's Directors' Remuneration Policy, practice and engagement with employees and shareholders complies fully with the UK Corporate Governance Code which encourages a description of how the policy addresses the following:

Clarity

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

Simplicity

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

Risk

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

Predictability

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

Proportionality

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

Alignment to culture

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

Policy summary

The Policy is summarised in the table below. There are no changes to the operation of the Policy for 2024/25.

Base Salary	
Purpose and link to strategy	Supports the retention and recruitment of Executive Directors of the calibre required to develop the Company's strategy.
Operation and maximum opportunity	Base salary is normally reviewed annually with changes effective from 1 April. Salary increases will normally be capped at the typical level of increases awarded to other employees in the Company, although increases may be above this level in certain circumstances.
Performance measures	Broad review of performance is included in the annual review process.
Pension	
Purpose and link to strategy	Pension planning is an important part of SSE's remuneration strategy because it is consistent with the long-term goals of the business.
Operation and maximum opportunity	For the Chief Executive, funded final salary and top-up unfunded arrangements up to the maximum of two-thirds of final salary at age 60. From 1 April 2017, future pensionable pay increases are capped at RPI + 1%. The Chief Commercial Officer receives a pension contribution of 15% of base salary which reflects the wider employee population taking length of service into account. The Chief Financial Officer receives a pension contribution of 12% of base salary which reflects the majority of employees irrespective of service and in line with the policy for new appointments. For new appointments, employer's pension contributions are capped at 12% of base salary in line with arrangements for SSE employees.
Performance measures	Not applicable.
Benefits	
Purpose and link to strategy	To provide a market-competitive level of benefits for Executive Directors.
Operation and maximum opportunity	Core benefits – currently include car allowance, private medical insurance and health screening. Participation in the Company's all-employee share plans on the same terms as UK colleagues. Relocation assistance if required. Reimbursement of travel and business-related expenses incurred. The cost will depend on the cost to the Company of providing individual items and the individual's circumstances and there is no maximum benefit level.
Performance measures	Not applicable.
Annual Incentive Plan (AIP)	
Purpose and link to strategy	Reward Executive Directors for achievement of performance targets linked to SSE's strategy and core purpose.
Operation and maximum opportunity	Maximum annual incentive opportunity is 150% of base salary for the Chief Executive and 130% of base salary for the Chief Financial Officer and Chief Commercial Officer. The award will normally be delivered: – 67% in cash; and – 33% in deferred shares. Subject to malus and/or claw back provisions.
Performance measures	The annual incentive is normally based on a mix of financial, operational, strategic and stakeholder measures reflecting the key values and priorities of the business. A minimum of 50% of the annual incentive will be based on financial performance.

DIRECTORS' REMUNERATION POLICY – A SUMMARY – CONTINUED

Performance Share Plan (PSP)	
Purpose and link to strategy	Reward Executive Directors for their part in delivering the sustained success of SSE and to ensure that their interests are aligned with those of the shareholders.
Operation and maximum opportunity	<p>Maximum value of award is 250% of base salary for the Chief Executive and 225% of base salary for the Chief Financial Officer and Chief Commercial Officer.</p> <p>Shares are awarded which normally vest based on performance over a period of three years with an additional two-year post-vesting holding period during which time the Executive must retain the post-tax number of shares vesting under the award.</p> <p>Subject to malus and/or claw back provisions.</p>
Performance measures	<p>Awards vest based on relative total shareholder return, financial, operational, strategic, or stakeholder-based measures.</p> <p>At least 70% of the award will be based on financial and relative total shareholder return measures.</p>

Share Ownership Policy	
Purpose and link to strategy	Align the interests of Executive Directors with those of shareholders who invest in the Company.
Operation and maximum opportunity	<p>The Chief Executive is expected to maintain a shareholding equivalent to 250% of base salary. The Chief Financial Officer and Chief Commercial Officer will be expected to maintain a shareholding of 225% of base salary. Shareholding should be built up within a reasonable timescale.</p> <p>Normally built up via shares vesting through the PSP, deferred shares from the AIP and all employee share schemes and Executive Directors may also choose to buy shares.</p> <p>The requirement to retain shares continues after employment and Executive Directors are required to hold their in-employment shares for a further two years following cessation of employment.</p>
Performance measures	Not applicable.

Chair and non-Executive Directors' Fees	
Purpose and link to strategy	Fees are set at a level which provides reward for undertaking the role and are sufficient to attract and retain individuals with the calibre and experience to contribute effectively at Board level.
Operation and maximum opportunity	<p>The aggregate level of non-Executive Director fees shall not exceed the maximum limit set out in the Articles of Association.</p> <p>Fees are reviewed at appropriate intervals against companies of a similar size and complexity. Fees are set in a way that is consistent with the wider remuneration policy.</p> <p>The fee structure may be made up of:</p> <ul style="list-style-type: none"> – a basic Board fee or Chair fee; – an additional fee for any committee chairship or membership; and – an additional fee for further responsibilities e.g. Senior Independent Director, non-Executive Director for Employee Engagement or periods of increased activity. <p>Reasonable travelling and other expenses for costs incurred in the course of the non-Executive Directors undertaking their duties are reimbursed (including any tax due on the expenses).</p> <p>It is also expected that all non-Executive Directors should build up a minimum of 2,000 shares in the Company.</p>
Performance measures	There are no direct performance measures relating to Chair and non-Executive Director fees.

The full Policy also includes further information on:

- Performance measures and targets.
- Committee discretion.
- Legacy commitments.
- Directors' service contracts and non-Executive Directors' letters of appointment.
- Loss of office policy.
- Recovery provisions.
- Recruitment policy.
- Shareholders' views.
- Remuneration engagement across the Group.
- Illustration of the Policy.

Melanie Smith CBE
Chair of the Remuneration Committee

21 May 2024

Compliance with the UK Corporate Governance Code 2018

The Board continues to assess its approach to corporate governance through application of the FRC's UK Corporate Governance Code (the Code) and reports against the 2018 Code for the year ended 31 March 2024. A copy of the Code can be found at www.frc.org.uk.

For 2023/24, the Board confirms compliance against the Code Provisions, with the application of the Principles and overall spirit of the Code being upheld through the work of the Board and its Committees. This statement provides detail of this approach and confirms where supporting disclosures can be found within the Annual Report.

1. Board leadership and company purpose

A. Board's role

The primary role of the Board is to lead SSE in a way that ensures its long-term success, whilst generating value for shareholders and wider stakeholders. SSE's Governance Framework, the composition of the Board, the annual plan of Board work, and a programme of Group-wide strategic stakeholder engagement continue to support the Board's oversight of internal and external developments and its ability to effectively challenge and take informed decisions for the longer-term.

Further details can be found on:

- SSE's Governance Framework, see [pages 114 to 115](#).
- Board composition, see [pages 116 to 119](#).
- Board work in 2023/24, see [pages 122 to 131](#).
- SSE's stakeholders, see [pages 132 to 134](#).

B. Purpose, culture and strategy

The Board sets and considers the cornerstones of SSE's purpose and vision on an ongoing basis, which underpin a strategy focused on clean energy infrastructure and energy security in the transition to net zero. SSE's strategy is agreed and monitored by the Board through a continuing programme of work and is supported by a fully-funded capex plan to 2027 – SSE's Net Zero Acceleration Programme (NZAP) Plus. SSE's business model confirms how the Board has determined the Group's deliberate mix of market-based and economically-regulated businesses create lasting value within SSE's complex operating environment.

The definition of a healthy corporate culture for SSE is set by the Board and supports SSE's purpose, vision, and strategy by setting a baseline for cultural guidance and indicators to be developed. Culture is viewed as a shared deliverable which starts with the Board leading by example and instilling the correct tone to underpin a fair workplace and ethical business practices. Dedicated cultural updates and employee engagement activities frame the Board's assessment of culture in practice.

Further details can be found on:

- SSE's purpose, vision, strategy, values and business model, see [pages 1 to 6](#).
- Board work on strategy, see [pages 123 to 125](#).
- Board focus on culture, see [page 127](#).

C. Resources and controls

SSE's strategy and NZAP Plus are supported by a suite of agreed targets and 2030 business goals which represent the framework the Board adopts to monitor progress against agreed objectives. Key parameters set by the Board include SSE's financial and investment and strategy, comprising the annual operating and capital expenditure budgets, and the delegated authorities across SSE's Governance Framework. These delegations support day-to-day operations and implementation of strategy which is overseen by the Group Executive Committee.

To safeguard areas material to the delivery of SSE's purpose, vision and strategy, the Board retains a Schedule of Reserved Matters for its decision, alongside a wider Board Charter which governs Board operations and pertinent Group-wide matters. The Schedule of Reserved Matters can be accessed on sse.com alongside SSE's key corporate governance documents.

Reporting to the Board provides oversight of delegated matters and includes a combination of verbal updates at Board meetings, the provision of sub-Committee minutes, written reports, and dashboards covering agreed financial and non-financial key performance indicators.

The Board sets the approach to risk management and oversees the effectiveness of SSE's System of Internal Control with support from the Audit Committee.

D. Stakeholder engagement

SSE's approach to stakeholder engagement is directed by a Board-agreed framework which confirms: SSE's key stakeholder groups; the purpose of meaningful stakeholder relations; and how stakeholder views should be considered at Business Unit and Group level.

Given the societal impact and scale of SSE's business operations, breadth and depth of stakeholder engagement is required to ensure decisions demonstrate appropriate stakeholder awareness. A mature executive and business-led stakeholder network supports this work, with Board oversight and understanding of views achieved through both direct Board engagement and reporting of below-Board activity. This allows the timely recognition of emerging stakeholder considerations, with the Board's own engagement guiding the expectation that senior leadership and SSE's Business Units take demonstrable account of stakeholder opinion in their decisions and longer-term objectives.

Further details can be found on:

- SSE's stakeholders, see [pages 14 to 15](#).
- Stakeholders and Section 172 Statement, see [pages 132 to 134](#).

E. Workplace policies

SSE has established processes and procedures to embed a healthy and consistent view of culture across the Group. Key pillars approved by the Board include SSE's values, SSE's Group Policies, and an employee guide 'Doing the right thing; SSE's guide to good business ethics'. The Policies and employee guide translate SSE's values into accepted attitudes and behaviours and are supported by mandatory training for everyone in SSE. The Board Committees provide dedicated focus to supporting policy within their own remit.

To ensure everyone in SSE is empowered to speak-up in relation to wrongdoing, the Board receives biannual reports on SSE's whistleblowing arrangements covering performance, case trends, and employee confidence in the agreed speak-up mechanisms and protections. These updates support the Board's assessment of the continued and effective operation of these arrangements.

2. Division of responsibilities

F. Chair

The Chair leads the Board and nurtures a culture in which informed and transparent decision-making takes place. This is supported by clearly defined Board roles and constructive dialogue within and outside of meetings. To allow the non-Executive Directors to raise matters directly with the Chair, time is set aside at each Board meeting to discuss areas of business without the Executive Directors present.

The current Chair, Sir John Manzoni was deemed independent on appointment, with performance in the role, assessed annually through the Board performance review.

Further details can be found on:

- Assessing Board performance, see [pages 136 to 137](#) 🔗.

G. Board composition, independence and division of responsibilities

The Board comprises the Chair, eight independent non-Executive Directors and three Executive Directors; excluding the Chair over half of its membership is deemed independent. Through the Board Charter, the Board approves the clear division of responsibilities between the Chair and Chief Executive and sets out what is expected of the non-Executive Directors, recognising the defined roles of Senior Independent Director and Non-Executive Director for Employee Engagement. The division of responsibilities across the Board can be accessed on [sse.com](#) 🔗.

Each Director has a duty to disclose any actual or potential conflict of interest situations, as defined by law, for consideration and approval, if appropriate, by the Board. This requirement is supported by an annual authorisation process overseen by the Nomination Committee, which informs the simultaneous and ongoing assessment of a non-Executive Director's independence.

Further details can be found on:

- Board composition, see [pages 116 to 120](#) 🔗.
- Board independence and conflicts, see [pages 140 to 141](#) 🔗.

H. Non-Executive Directors' role and time commitment

The expected time commitment of the Chair and non-Executive Directors is agreed and set out in writing in the Letter of Appointment for the respective roles. This is issued following confirmation of an individual's capacity to join the Board and involves an assessment of existing external commitments and demands on time. Any changes, such as additional external appointments, can only be accepted following approval of the Board. The Nomination Committee monitors Director time commitment, with the annual Board performance evaluation considering the performance of each individual Director in this regard.

To support the non-Executive Directors in providing both challenge and counsel, it is deemed appropriate that relationships can be built across SSE. The Board therefore has unfettered access to senior leadership, their teams and specialist functions, with individuals from different levels across the organisation invited to present at Board meetings and deep dive sessions.

Further details can be found on:

- Board external commitments, see [pages 116 to 119](#) 🔗.
- Annual Board performance review, see [pages 136 to 137](#) 🔗.
- Time commitment, see [page 140](#) 🔗.

I. Company Secretary

The Company Secretary and Group General Counsel safeguards compliance with Board procedures and supports the development of meeting agendas with the Chair and Chief Executive. These are structured around a pre-agreed annual plan of business, with consideration for the status of projects, strategic workstreams, and the overarching operating context. Adequate time is allocated to support effective and constructive discussion, and guidance is available to the authors and presenters of Board materials. An electronic meeting portal allows efficient navigation of papers, information and requests. In addition, any Director can request further information to support their individual duties or collective Board role. This can be internally or externally facilitated, and can originate from technical Board discussions, an identified training opportunity, or area of general interest relating to SSE.

Further details can be found on:

- Deep dives, see [page 125](#) 🔗.

3. Composition, succession and evaluation

J. Appointments and succession planning

The composition of the Board is informed by plans for orderly succession across Board and Committee roles which is overseen by the Nomination Committee. This work considers the length of tenure of the non-Executive Directors and the talent pipeline for the Executive Directors. Succession for senior leadership roles is considered by the Committee with support from Group HR. To provide direct exposure to the talent pool, members of the Nomination Committee and Board engage in core talent programmes and meet potential future leaders through structured and informal engagement activities.

Appointments to the Board follow an agreed process which starts with the agreement of a role specification and any external search firm support that may be required. The Board's Inclusion and Diversity Policy confirms the practices that are adopted to ensure an inclusive recruitment process which promotes diversity and equal opportunity. The outcomes of any Board succession planning or recruitment work are reported in the Annual Report each year.

Further details can be found on:

- Nomination Committee work, see [pages 138 to 143](#) 🔗.

K. Skills, experience and knowledge

The Nomination Committee identifies the skills, knowledge and experience required for the effective leadership and long-term success of SSE, managing the balance of competencies through succession planning, knowledge development and recruitment. This is supported by a standing assessment of the Board's skills matrix and composition metrics to identify where a gap or further work is required. With cognisance for the overall tenure of the Board, non-Executive Directors undertake a fixed term of three years subject to annual re-election by shareholders. The fixed term can be extended, and consistent with best practice, does not exceed nine years subject to defined circumstances as identified by the Committee.

Further details can be found on:

- Board composition, see [pages 116 to 120](#) 🔗.
- Nomination Committee considerations, see [pages 138 to 143](#) 🔗.

L. Board performance

The Board monitors and improves performance by reflecting on the continuing effectiveness of its activities, the quality of its decisions, and by considering the individual and collective contribution made by each Board member. This is assessed annually through the Board performance review process which is reported on each year, with this facilitated externally at least every three years.

Further details can be found on:

- Assessing Board performance, see [pages 136 to 137](#) 🔗.

4. Audit, risk and internal control

M. Internal and external audit

The Audit Committee assesses the role of Internal Audit, reviewing the independence and effectiveness of its function and work. SSE's Internal Audit plays an important role in helping the organisation deliver its vision and objectives by providing independent and objective assurance to management, the Audit Committee and Board on the effectiveness of SSE's risk management activities, internal controls and corporate governance framework. The Audit Committee further oversees SSE's relationship with EY, appointed by shareholders as SSE's External Auditor, to ensure that the independence, quality, rigour, and challenge of the external audit process is maintained. The Audit Committee reviews significant financial judgements to monitor the integrity of the financial and narrative statements.

Further details can be found on:

- Audit Committee work, see [pages 144 to 151](#) 🔗.

N. Fair, balanced and understandable assessment

The Board considers the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. This assessment is supported by an agreed assurance framework which the Board and Audit Committee consider each year, alongside reports confirming it has been adhered to.

Further details can be found on:

- Fair, balanced and understandable framework, see [page 146](#) 🔗.

O. Risk management

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

In addition to the ongoing review of emerging risks, the Board carries out a robust assessment of the Principal Risks facing the Group, being those that have the potential to threaten its business model, future performance, solvency or liquidity.

Further details can be found on:

- Group Principal Risks, see [page 89](#) 🔗.

5. Remuneration

P. Remuneration policies and practices

The Remuneration Committee focuses on determining and agreeing SSE's broad policy for executive remuneration and reviewing its ongoing appropriateness and relevance. It ensures remuneration is strongly aligned to SSE's purpose and strategy, encourages long-term stewardship and rewards individual contributions towards the success of SSE.

SSE's Directors' Remuneration Policy (the 'Policy') was approved with over 91% of shareholders support at the AGM on 21 July 2022. It is intended the Policy will apply for a period of up to three years and will need to be re-approved at the 2025 AGM at the latest. The full Policy is provided in the 2022 Annual Report and a summary is provided on [pages 160 to 162](#) 🔗. This also includes details of how the factors set out in the Code (clarity, simplicity, risk, predictability, proportionality and alignment to culture) are addressed.

Further details can be found on:

- Remuneration Committee work, see [pages 158 to 180](#) 🔗.

Q. Developing executive remuneration policy

The Policy is structured to ensure that SSE has enough flexibility to attract world-class talent. This is particularly important as SSE is increasingly exposed to new markets and technologies.

In setting pay policy and practice, the views of a range of stakeholders is taken into account, including those of shareholders through effective investor dialogue, and employees through a calendar of Board engagement activities.

R. Remuneration outcomes and independent judgement

The Remuneration Committee has a history of setting stretching targets which reward true outperformance and has used its discretion on several occasions in recent years to reduce formulaic outcomes where they have deemed it necessary.

The Chief Executive, Director of HR, and Head of Reward, advise the Committee on certain remuneration matters for the Executive Directors and senior executives. No Director or senior executive is present for any discussions related to their own remuneration to ensure independent judgement. In addition, external remuneration advisors provide advice to the Committee, and they adhere to the Remuneration Consultants' Group Code of Conduct.

Other statutory information

The Directors submit their Annual Report and Accounts for SSE plc, together with the consolidated Financial Statements of the SSE Group of companies, for the year ended 31 March 2024.

The Strategic Report is set out on [pages 1 to 109](#) and the Governance Report, which is SSE's Directors' Report is set out on [pages 111 to 187](#). The Strategic Report and the Governance Report together constitute the management report as required under Rule 4.1.8R of the Disclosure Guidance and Transparency Rules.

As permitted by section 414C (11) of Companies Act 2006 the below matters have been disclosed in the Strategic Report:

	Page reference
An indication of likely future developments in the business of the Company	pages 1 to 109
Particulars of important events affecting the Company since the financial year end	page 186
Greenhouse gas emissions	page 106
Energy consumption	page 49
Energy efficiency action	page 49
Employee engagement and involvement	pages 128 to 129 and 132
Engagement with suppliers, customers and others in a business relationship with the Company	pages 33 to 45 and 133 to 134
A summary of the principal risks facing the Company	pages 85 to 95

Information required to be disclosed under Listing Rule 9.8.4R is contained on the pages detailed below.

	Page reference
Statement of amount of interest capitalised by the Group during the financial year	pages 230 to 231
Details of any long-term incentive schemes	pages 160 to 162

Results and dividends

The Group's results and performance highlights for the year are set out on [pages 20 to 21 and 54 to 67](#). An interim dividend of 20 pence per Ordinary Share was paid on 8 March 2024. The Directors propose a final dividend of 40 pence per Ordinary Share. Subject to approval at the AGM 2024, the final dividend will be paid on 19 September 2024 to shareholders on the Register of Members at close of business on 26 July 2024.

Board of Directors

Director appointment and retirement

The Company's Directors who served during the financial year ending 31 March 2024 are provided within the attendance table on [page 122](#). The biographies of those individuals who were Directors of the Company on 21 May 2024 are on [pages 116 to 119](#). Details of Board changes are confirmed on [page 140](#).

The rules governing the appointment and retirement of Directors are set out in the Company's Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and other related legislation.

Indemnification of Directors and insurance

The Directors have the benefit of an indemnity provision contained in the Company's Articles of Association. In addition, the Directors have been granted a qualifying third-party indemnity provision which was in force throughout the financial year and remains in force. Also, throughout the financial year, the Company purchased and maintained Directors' and Officers' liability insurance in respect of itself and for its Directors and Officers.

Political donations and expenditure

SSE operates on a politically neutral basis and does not make any donations to political parties, political organisations, or independent election candidates. During the year, no political expenditure was incurred, and no political donations were made by the Group.

Accounting policies, financial instruments, and risk

Details of the Group's accounting policies, together with details of financial instruments and risk, are provided in [note 25](#) to the Financial Statements and [notes A6 to A8](#) of the Accompanying Information.

Research and development

SSE is involved in a range of innovative projects and programmes which are designed to progressively transform the energy system. A number of these projects and programmes are referred to in the Strategic Report on [pages 1 to 109](#).

Employment of disabled people

SSE has a range of employment policies which clearly detail the standards, processes, expectations and responsibilities of its people and the organisation. These policies were in place for the duration of the year, and are designed to ensure that everyone, including those with existing or new disabilities and people of all backgrounds, are dealt with in an inclusive and fair way from the recruiting process on through their career at SSE. This includes access to appropriate training, development opportunities and job progression. Further details of this approach can be found on [pages 42 to 45](#).

Shares

Share capital

The Company has a single share class which is divided into Ordinary Shares of 50 pence each. The issued share capital of the Company as of 31 March 2024, together with details of any changes during the year, is set out in [note 22](#) to the Financial Statements. As of 31 March 2024, the issued share capital of the Company consisted of 1,096,238,489 Ordinary Shares. This figure includes 2,793,923 ordinary shares which are held in treasury (representing 0.25% of the Company's issued share capital), with these shares voting and dividend rights automatically suspended.

The Company was authorised at the AGM 2023 to allot shares or grant rights over shares up to an aggregate nominal amount equal to £181,722,739 (representing 363,445,478 Ordinary Shares of 50 pence each excluding Treasury Shares), representing one-third of its issued share capital. A renewal of this authority will be proposed at the AGM 2024.

The Company was authorised at the AGM 2023 to allot up to an aggregate nominal amount of £27,258,410 (representing 54,516,820 Ordinary Shares of 50 pence each and 5% of issued share capital) for cash without first offering them to existing shareholders in proportion to their holding. A renewal of this authority will be proposed at the AGM 2024.

Transfer of Ordinary Shares

There are no restrictions on the transfer of Ordinary Shares in the Company other than certain restrictions which may from time-to-time be imposed by law. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Substantial shareholdings

At 31 March 2024, the following percentage interests in the Ordinary Share capital of the Company, had been notified under Rule 5 of the Disclosure Guidance and Transparency Rules, ('DTR 5'). The Company is not aware of any changes in the interests disclosed under DTR 5 between 31 March 2024 and 21 May 2024.

Shareholder	Date of receipt of notification	Voting rights attached to shares*		Voting rights through financial instruments*		Total of both in %	Nature of holding
BlackRock, Inc.	17 January 2024	64,875,144	5.93%	15,511,903	1.51%	7.44%	Indirect, ADR, Securities Lending, CFD
The Capital Group Companies, Inc.	17 September 2020	50,981,817	4.90%	–	–	4.90%	Indirect, ADR
Invesco Limited	7 May 2014	45,775,918	4.69%	–	–	4.69%	Indirect
Caisse de dépôt et placement du Québec	7 January 2021	41,492,159	3.98%	–	–	3.98%	Direct
Barclays Bank Plc	1 August 2022	35,834,843	3.35%	19,978,657	1.87%	5.22%	Indirect, ADR, Options, Right to Recall (loan and collateral)
JPMorgan Chase & Co.	19 January 2023	54,673,418	5.06%	374,155	0.14%	5.2%	Indirect, Depository Receipt, Physically Settled Call Option
Bank of America Corporation	1 August 2023	4,713,063	0.43%	–	–	0.43%	Indirect

* At date of disclosure by relevant entity.

Authority to purchase shares

At the AGM 2023, the Company obtained shareholder approval to purchase up to 109,033,643 of its own Ordinary Shares (representing 10% of its issued share capital) up until the earlier of the conclusion of the AGM 2024 and close of business on 30 September 2024.

The Company did not undertake any share repurchase programmes during the financial year ending 31 March 2024.

During the financial year, and up until 31 March 2024, the Company used 824,816 of the treasury shares acquired under the 2016/17 share repurchase programme to satisfy the requirements of the all-employee Sharesave scheme.

The Directors will, again, seek renewal of their authority to purchase in the market the Company's own shares at the AGM 2024.

OTHER STATUTORY INFORMATION – CONTINUED

Voting

Each Ordinary Share of the Company carries one vote at general meetings of the Company. Any Ordinary Shares held in treasury have no voting rights.

A shareholder entitled to attend, speak and vote at a general meeting may exercise their right to vote in person or electronically, by proxy, or in relation to corporate members, by corporate representatives. To be valid, notification of the appointment of a proxy must be received not less than 48 hours before the general meeting at which the person named in the proxy notice proposes to vote. The Directors may in their discretion determine that in calculating the 48-hour period, no account be taken of any part of a day which is not a working day.

Employees who participate in the Share Incentive Plan whose shares remain in the schemes' trust give directions to the trustees to vote on their behalf by way of a Form of Direction. SSE also has a Share Plan Account service with Computershare available to employees with shares arising from a SAYE option maturity, which are voted through the nominee.

Annual General Meeting (AGM)

The AGM of the Company will be held at the Perth Concert Hall, Mill Street, Perth PH1 5HZ on Thursday 18 July 2024 at 12.30pm.

Shareholders will also be able to attend the meeting electronically via the use of an electronic platform and submit questions and vote in real time. Details of the full arrangements for the AGM, resolutions to be proposed, how to vote and ask questions are set out in the Notice of Annual General Meeting 2024 which accompanies this report for shareholders receiving hard copy documents, and is available at sse.com for those who have elected to receive documents electronically.

Articles of Association changes

The Company's latest Articles of Association were adopted at the AGM 2021. Any amendments to the Articles of Association can only be made by a special resolution at a general meeting of shareholders.

Change of control

The Company is party to several agreements that take effect, alter or terminate upon a change of control of the Company following a takeover. At 31 March 2024, change of control provisions were included in agreements for committed credit facilities, EIB debt, US Private Placements, Senior Bonds and Hybrid instruments. The Company is not aware of any other agreements with change of control provisions that are significant in terms of their potential impact to the business.

Disclosure of information to the auditor

Each of the Directors who held office at the date of approval of this Directors' Report confirms that, so far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware and each Director has taken all the steps that ought to have been taken in his or her duty as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Related party transactions

Related party transactions are set out in [note A5](#) of the Accompanying Information.

Post-balance sheet events

There are no post-balance sheet events to report.

The Directors' Report set out on [pages 111 to 187](#) has been approved by the Board of Directors in accordance with the Companies Act 2006.

By order of the Board



Liz Tanner

Company Secretary and Group General Counsel, SSE plc

21 May 2024

Statement of Directors' Responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards ("IFRS"), and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101, "Reduced Disclosure Framework".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the parent Company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and parent Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent Company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company, or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

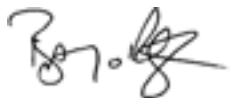
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the annual report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.



Alistair Phillips-Davies
Chief Executive



Barry O'Regan
Chief Financial Officer

21 May 2024