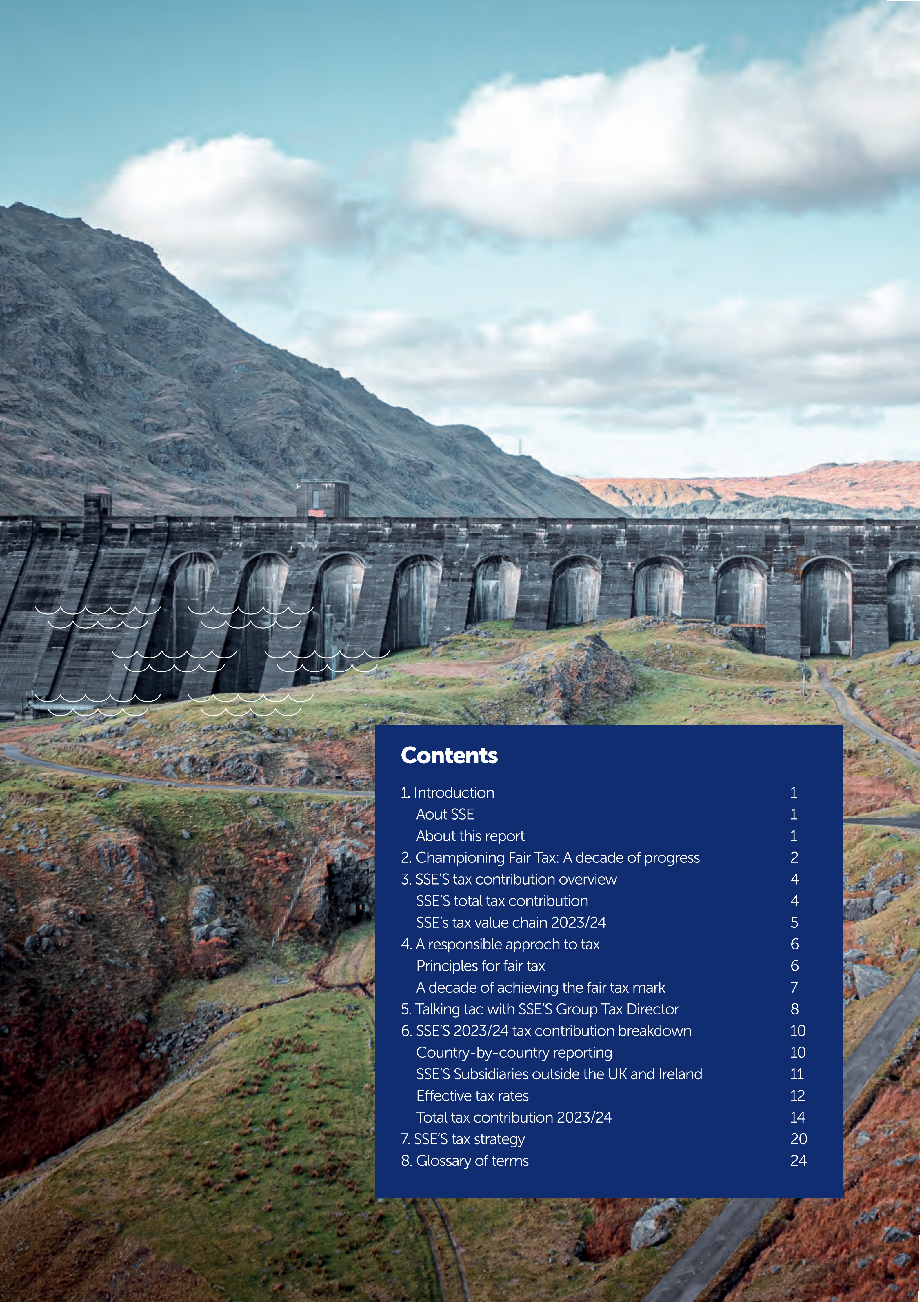
Ten years of tax transparency

Talking Tax 2024



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1. About SSE

SSE is a leading generator of renewable electricity in the UK and Ireland and one of the largest electricity network companies in the UK. It is driven by a purpose to provide energy needed today while building a better world of energy for tomorrow. It develops, builds, operates, and invests in low-carbon electricity infrastructure in support of the transition to net zero, including onshore and offshore wind, hydro power, flexible thermal generation, electricity transmission and distribution networks, alongside providing energy products and services to customers.

SSE's ambitions for the development of renewable energy now extend beyond the United Kingdom and Ireland to carefully selected international markets, including Asia-Pacific and Europe. UK-listed and headquartered in Perth, Scotland, SSE is a major contributor to the economies in the UK and Ireland. It employs around 14,000 people, is Fair Tax Mark accredited and is a Living Wage, Living Hours and Living Pensions employer.

About this report

The principles of fair tax are core to SSE's approach to creating and sharing value with society. SSE is proud to pay the right amount of tax, in the right place, at the right time. It has been Fair Tax Mark accredited since 2014. Tax has an important role to play in contributing to public services and supporting the transition to net zero.

SSE fully discloses its tax affairs in its Annual Report 2024 (pages 67, 231 to 239, and 282 to 283) according to international accounting standards and the enhanced disclosure requirements of the Fair Tax Mark.

The purpose of this report is to complement those disclosures by providing additional transparency around the different types of taxes SSE pays in different jurisdictions and by outlining SSE's strategy and approach to tax.

This report's objective is to provide a transparent and accessible account of SSE's tax affairs for the financial year 1 April 2023 to 31 March 2024, in a way that is clear and understandable to non-tax specialists. However, it is sometimes necessary to use technical language and phrases. Explanations for the main terms used are provided on page 24.

8 DECENT WORK AND ECONOMIC GROWTH

Aligning business and social objectives

SSE has set four core 2030 business goals directly linked to the four UN Sustainable Development Goals (SDGs) most material to its business. One of these 2030 Goals, linked to SDG 8 Decent Work and Economic Growth, contains a commitment to champion fair tax. You can read more about how SSE has been doing this in its Sustainability Report 2024 and throughout this report.

Sharing the benefits from net zero

SSE is a major contributor to the UK and Irish economies. In 2023/24, it contributed £5.96bn and €1.06bn to UK and Irish GDP respectively and supported 56,500 jobs across these countries. As SSE's operations develop beyond the UK and Ireland it will strive to support the communities in these locations as much as it has at home. For more information on how SSE support local communities and provides jobs see its Sustainability Report 2024 on **sse.com.**

2. Championing Fair Tax: A Decade of Progress

This report represents a significant milestone in SSE's tax journey: a decade of being Fair Tax Mark accredited.

When I stepped into the role of Chief Financial Officer in 2023, I reflected on our progress over the last decade in terms of both evolving SSE's tax disclosures and in promoting tax transparency across the broader landscape of large businesses. That progress has helped ensure SSE is well-placed to both address the challenges and realise the opportunities in our industry, the wider economy, and globally.

With each passing year, we have strived to provide comprehensive details of SSE's tax affairs, in a format that's easy to understand. We are grateful to the Fair Tax Foundation for their guidance and feedback.

A key element of this evolution was transitioning in 2022 from the Fair Tax Foundation's multinational standard for UK headquartered companies to its new Global Multinational Business Standard, a shift which reflects SSE's growing international presence and our steadfast commitment to honouring a fair approach to tax, globally. In addition, SSE has won the PwC Building Public Trust Award for 'Tax Reporting in the FTSE 350 – UK Focused Companies' for the past two consecutive years demonstrating that our approach to tax reporting is market-leading.

The focus on tax transparency, especially in relation to large businesses, has changed dramatically over the last decade. Whereas becoming Fair Tax Mark accredited was once seen as a bold move, it has now evolved into a central component of corporate responsibility. At SSE, tax is not just about compliance; it is an essential topic of discussion at Board level, reflecting our commitment to being transparent about the role we play in society and the taxes we pay.

The decade ahead

Over the years to come, a key challenge businesses continue to face is the public's perception of corporate tax practices. A lack of transparency often leads to mistrust and fuels the misconception that all large companies try to avoid their tax responsibilities. This is reflected in the Institute of Business Ethics' 2024 assessment, which once again highlights corporate tax avoidance as the top issue of public concern.

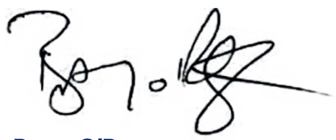
Similarly, the Fair Tax Foundation reports that 70% of the UK public prefer to work for and buy from businesses that can prove they are paying their fair share of taxes.[1] This reinforces the need for businesses like ours to maintain transparency and build trust with the communities we serve.

As we transition towards a net zero economy over the years to come, paying our fair share of taxes in the right place, at the right time, is more crucial than ever. Fair taxation is integral not only to funding climate initiatives but also to supporting social and economic equity as part of a just transition.

Tax revenues fund the essential services that society relies on such as healthcare, education, and infrastructure.

Large taxpayers such as SSE have a significant role to play in ensuring those services are adequately supported and that they contribute tax fully and transparently both in the UK and beyond.

As we look ahead to the next ten years, governments and businesses alike have the opportunity to contribute to a more equitable and sustainable global economy.



Barry O'Regan
Chief Finance Officer, SSE

1 See https://fairtaxmark.net/heres-how-the-uk-public-want-to-see-businesses-treat-corporation-tax/

3. SSE's total tax contribution overview

As a large, complex business, SSE is liable to pay a range of different taxes that arise from its direct operations, and across its value chain in its upstream and downstream activities. SSE pays taxes directly to tax authorities, referred to in this report as taxes paid. They are direct costs of running SSE's business.

In addition to taxes paid, SSE's commercial activities give rise to taxes which SSE collects and administers on behalf of governments. These do not represent a direct cost to SSE and are referred to as taxes collected. These taxes paid and collected combined represent SSE's total tax contribution, which is the total value of taxes that SSE has some responsibility for.

SSE's total tax contribution 2023/24

In the year to 31 March 2024, SSE's total tax contribution was £1.47bn compared to £1.3bn the previous year. This was made up of £739m of taxes paid (compared to £549m in 2022/23) and £727m of taxes collected (compared to £764m in 2022/23).

The increase in total taxes paid in 2023/24 compared with the previous year was primarily due to an increase in profits made during the year, combined with an increase in the rate of UK corporation tax from 19% to 25% from April 2023, and the payment of Electricity Generator Levy.

The decrease in total taxes collected in 2023/24 compared with the previous year was primarily due to a reduction in Business Energy customer sales in the period, on which Climate Change Levy and VAT is collected, as well as an overall increase in VAT recovered on the large infrastructure projects SSE is undertaking.

SSE's material trading operations are in the UK and Ireland. A full breakdown of SSE's taxes paid and collected split out by UK and Ireland is available on pages 14 to 19. SSE has subsidiaries outside of these countries and is beginning to expand internationally through its Renewables business. SSE's country-by-country reporting for these jurisdictions can be found on page 10.

SSE'S tax value chain 2023/24

Taxes paid

Profit tax
£368m
Taxes on profits that SSE makes. Corporation tax is one example of a tax paid on profit with Electricity Generator Levy being another.

People tax
£84m
Taxes paid on wages earned by employees, for example an employer's share of National Insurance contributions.

Taxes collected

Value added tax (VAT)
£409m
VAT is charged on goods and services, which are bought from suppliers or sold to customers. SSE collects VAT on behalf of national tax authorities.

Other taxes
£7m
A variety of smaller taxes contribute to this figure which is collected by SSE on behalf of governments.

SSE'S direct operations

Environmental tax
£53m
SSE pays environmental taxes in relation to its direct operations, the main one being the Carbon Support Price / Climate Change Levy which is a tax it pays on fossil fuels used to generate electricity.

Property tax
£234m
Property taxes relate to owning or using properties and infrastructure. These include business rates paid to local councils, and taxes on transactions when properties are bought and sold.

Society

People tax
£208m
Taxes collected from employee wages on behalf of governments, for example income tax.

Environmental tax
£102m
SSE collects environmental taxes from its customers on behalf of governments, including the Climate Change Levy which is an environmental tax charged on the energy that businesses use.

Taxes Paid
£739m
Taxes that SSE pays directly to tax authorities. They are direct costs of running SSE's business and include profit taxes, business rates and employer National Insurance contributions.

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Taxes Collected
£727m
Taxes which are generated by SSE's operations but are not a direct cost to SSE. SSE's commercial activities give rise to these taxes and then it collects and administers them on behalf of governments.

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Total Tax Contribution
£1.47bn
The total value of taxes that SSE has some responsibility for. It is the sum total of all the taxes paid and the taxes collected by SSE.

4. A responsible approach to tax

SSE considers being a responsible taxpayer a core element of its social contract with the societies in which it operates.

SSE is one of the UK's biggest taxpayers, being ranked 17th out of the 100 Group of Companies in terms of taxes paid in the 2023 PwC Total Tax Contribution survey. While SSE has an obligation to its shareholders, customers, and other stakeholders to efficiently manage its total tax liability, it does not seek to use the tax system in a way it does not consider it was meant to operate, or use 'tax havens' to reduce its tax liabilities.

SSE's 2030 Goals include a commitment to champion fair tax and are linked to a portion of Executive Director remuneration. In this way, a responsible approach to tax is at the core of SSE's strategy as a business. See more information on SSE's 2030 Goals at **sse.com.**

SSE has three key elements to ensure it maintains its responsible approach to tax each year:

1. **A tax policy and strategy** that ensures it operates within both the letter and spirit of the law at all times. For more, see pages 20 to 23.
2. **Principles for fair tax** that guide both its strategic approach to tax and its day-to-day activities. Please see below for further information.
3. **Fair tax mark accreditation** for the past 10 years which demonstrates its ongoing commitment to upholding the principles of fair tax as it expands internationally. For more, see page 7.

Principles for fair tax

SSE follows three core principles in its tax strategy consistently and guide the company as it seeks international expansion. SSE's full tax strategy can be found on pages 20 to 23.

Playing fair

SSE does not take an aggressive stance in its interpretation of tax legislation and will not use artificial tax avoidance schemes or tax havens to reduce tax costs. SSE believes businesses should pay the right amount of tax in the right place at the right time. SSE's profits are therefore taxed in the locations where it has business substance. SSE follows OECD Transfer Pricing Guidelines which are based on the arm's length principle. Transfer pricing arrangements are regularly reviewed to ensure profits are taxed where value is created. In addition, SSE never abuses jurisdictions to gain financial secrecy benefits.

Being accountable and transparent

SSE believes it is important for businesses to be clear and transparent about their worldwide activities, tax affairs and tax payments, and its policy is to operate within both the letter and spirit of the law at all times. SSE's primary objective from a tax perspective is to be compliant with all tax legislation requirements. Throughout 2023/24, there was complete compliance with SSE's Group Tax Policy. Good tax governance and reporting is essential, and SSE seeks to increase accountability with its senior leaders through linking a portion of Executive Director remuneration with its 2030 Goal linked to championing Fair Tax.

Working with stakeholders

With one of its core 2030 Goals linked to championing fair tax, SSE seeks to promote the importance of paying a fair share of tax with stakeholders, and as a consequence be regarded as a low risk and responsible taxpayer. Stakeholders SSE engage with on tax matters include businesses, government, and wider societal groups, as well as the relevant tax authorities.

A decade of achieving the Fair Tax Mark

2024 marks the 10th year of SSE receiving the Fair Tax Mark accreditation and SSE remains steadfastly committed to upholding the principles of fair tax as it expands internationally.

Since SSE was first assessed by the Fair Tax Mark in 2014, its tax contributions have grown considerably from £420m taxes paid to £739m, and £210m taxes collected to £726m.

The Fair Tax Mark is an independent third-party accreditation administered by the Fair Tax Foundation which recognises organisations that pay the right amount of corporation tax, in the right place, at the right time.

As tax affects everyone, the Fair Tax Foundation believes that companies should report on their tax practices transparently so stakeholders can understand how they are contributing. This means that one of the fundamental principles of the Fair Tax Mark accreditation is open tax disclosures that go well beyond the current requirements of UK company law.

10 years on from first being accredited, SSE remains a firm supporter of the Fair Tax Foundation. As SSE expands internationally, it welcomes the Foundation's ongoing international focus as a source of support to progress its fair tax approach and continue to respect the jurisdictions where economic activity is undertaken, and profits arise.

10 years of tax transparency:

2014 SSE becomes the first FTSE 100 company to become Fair Tax Mark accredited

2019 SSE includes a commitment to Champion Fair Tax as part of its 2030 Goals

2022 SSE wins the PwC Building Public Trust Award for 'Tax in the FTSE 350 – UK Focused Companies'

SSE becomes the First Fair Tax Mark accredited company to transition to the Global Multinational Standard

2023 SSE wins the PwC Building Public Trust Award for 'Tax in the FTSE 350 – UK Focused Companies' for the second consecutive year

2024 SSE celebrates 10 years of Fair Tax Mark accreditation

SSE is nominated for the PwC Building Public Trust Award for 'Tax in the FTSE 350 – UK Focused Companies' for the third consecutive year. The winner is expected to be announced in November 2024.

5. Talking Tax with SSE's Group Tax Director

Martin McEwen shares his insights on how the future of tax can build on the advancements made in the past decade and drive even greater progress to deliver net zero.

Reflecting on the last decade

After 10 years of consistently meeting the Fair Tax standard, what is the most significant change within the world of Tax for a UK corporate?
Despite several attempts by UK Government to simplify the UK tax code, UK corporate entities now face a greater volume and a more complex set of tax compliance requirements than ever before. A large number of complex, domestic requirements, including the introduction of Making Tax Digital for VAT, IR35 legislation, increased research and development documentation, and the Criminal Corporate Offense for the failure to prevent the facilitation of tax evasion, have been introduced or updated in the last decade. While the underlying intention is noble and seeks to encourage improved attitudes towards tax policy, these changes have placed an increasing compliance burden on tax teams across the UK.

How do you think HMRC's approach has changed?
SSE enjoys a constructive relationship with HMRC, and we observe that this growth in complexity and volume of tax compliance has, understandably, also had an impact on the capacity of HMRC officials, particularly when combined with pressure on headcount.

Despite staffing having marginally increased by 6% over 10 years, the tax take over that same period has leapt by over 60%. HMRC has maintained a track record in collecting tax revenues where due. For instance, in 2005 the tax gap was 7.4% compared with the latest estimated tax gap figure of 4.8% per

HMRC's 2024 Annual Report. Despite operating with lean staff levels, HMRC has collected 95.2% of all tax due, but, arguably, that has come at a cost in terms of customer service and limited scope for proactive engagement with taxpayers.

How has the UK Government's approach to business taxation changed?
There appears to have been a greater sense of instability in tax policy in the last 10 years. While a lot of this can be attributed to Brexit, the COVID-19 pandemic and war in Europe and the Middle East, much of the economic stability in the last few years has arisen from an uncertain political landscape in the UK, with changes in Prime Minister bringing different tax plans.

Now more than ever, businesses need confidence to invest. This naturally requires a robust tax system that is proportionate and enables long-term planning to stimulate UK growth. The Government previously published business tax roadmaps to help boost business confidence, with the most recent dated 2016. This helped to map out the Government's approach to business tax for that parliament. For example, the 2016 business tax roadmap stipulated the need to reduce taxation to stimulate growth and support small businesses. Publishing an up-to-date UK business tax roadmap now could help to provide businesses and investors with the confidence they need.

Now is the time to seize bold opportunities

What would you like to see from the new Government as they lay out their tax strategy for this term?
There is an opportunity for the newly elected Government to set out a bold vision for future investment in UK infrastructure and achieving net zero through their first Budget. Other countries are already sprinting ahead: the US Inflation Reduction Act has fuelled the race for green incentives, with Canada, the EU and other nations taking similar action. Without comprehensive, bold action the UK risks falling behind.

The Government has the opportunity to make the UK a more competitive place for green investment and growth. Suggested areas of HMRC focus include:

- Action around green innovation tax credits and green capital allowances could facilitate investment in infrastructure and adoption of green plant and machinery. A long-term commitment to retaining full expensing for capital allowances as a permanent measure to boost long-term infrastructure projects and other long-term investments, especially those with an estimated life of over 25 years is a very powerful tool in the Government's toolbox in encouraging the right kind of long term investment from private companies.
- Advanced Tax Rulings allow the taxpayer to seek certainty of tax treatment prior to the investment activity. These work well in several advanced economies. They could help attract inward investment to the UK.
- Similarly, the introduction of pre-activity discussions, with a more proactive approach from HMRC can help taxpayers plan and invest with a degree of certainty on the tax treatment over the full term of investments.
- Constructive engagement on tax changes between HM Treasury, HMRC and business. Including relevant businesses in consultations on policy changes often leads to more rounded legislation and guidance, as well as increased compliance and fewer unintended consequences following the change.

The UK Government alongside HMRC need to provide stability and certainty to businesses and individuals. Policymakers must move fast to publish and implement an ambitious business tax roadmap which delivers a bold strategy, providing consistent implementation, and reduced complexity across the board.

This can be achieved where HMRC retain a fully equipped workforce. I'm encouraged to see the advertisement of new roles alongside the introduction of HMRC's managers' development programme; this could support a bold new tax strategy from the Government.

Looking forward to the next 10 years

What do you think will be key areas of focus in tax over the next 10 years?
I believe that there will be an increased recognition of the social contract between business, Government and society. We have recently seen a marked shift in corporate and public views on sustainable and ethical business in the UK and abroad. There is a real desire by investors and consumers to support sustainable businesses. This in turn will continue to mould corporate behaviour and strategy a trend that provides a net benefit to all.

In line with this, I feel there will be increased importance in the Fair Tax Mark and other environmental, social and governance standards. Entities will strive to achieve these marks of excellence and will quite rightly advertise these achievements to investors, employees and consumers. Standards such as the Fair Tax Mark encourage more open tax reporting, providing Governments with better data allowing them to create better policies.

Stemming from the uptick in companies seeking to achieve these voluntary standards of excellence we will see a movement of tax reporting from traditional tax accounting to include far more ESG metrics. Although these may initially be additional voluntary disclosures, they will rightly become required as part of publicly available tax documentation or annual accounts so that corporate entities are held accountable.

This too is true for HMRC, for them to process the information around these increasingly complex areas. The UK currently lags behind other countries in the use of tax technology. We are starting to see smarter tools, many incorporating AI, which can assist with many aspects of tax compliance. Early, cautious, adoption of such tools could really give tax teams a real head start in navigating the tax landscape over the next 10 years.

Martin McEwen
Group Tax Director, SSE

6. SSE's 2023/24 tax contribution breakdown

Country-by-country reporting

Historically the UK and Ireland were the only territories in which SSE had trading activities. That changed in 2021 when SSE expanded into Japan with the acquisition of an 80% interest in an offshore wind development platform. In 2022, the group acquired the Southern Europe wind and solar platform in Spain, France, Greece and Italy from Siemens Gamesa Renewable Energy (SGRE).

SSE is exploring potential opportunities in several other overseas territories, and we expect to expand SSE's international presence over the coming years.

Country	Corporate Tax Paid £m	Revenue £m	Reported Profit/(Loss) Before Tax (Continuing Operations	Reported Current Tax £m	Reported Deferred Tax	Reported Profit Before Tax (Discontinued Operations)	Number of employees at 31 March 2024	Gross Employee Pay	Net Assets
	£m	£m	£m	£m	£m	£m		£m	£m
France	0	0	(2)	0	0	0	13	1	26
Germany	0	0	0	0	0	0	0	0	6
Greece	0	0	(1)	0	0	0	9	1	73
Hong Kong	0	0	0	0	0	0	0	0	0
Ireland	45	1,660	284	74	(34)	0	957	57	1,281
Isle of Man	0	0	0	0	0	0	0	0	11
Italy	0	0	(2)	0	0	0	8	1	26
Japan	0	0	(4)	0	0	0	38	2	11
Netherlands	0	0	(0)	0	0	0	0	0	(3)
Poland	0	0	0	0	0	0	0	0	0
Spain	0	0	(13)	0	0	0	61	4	(159)
Switzerland	0	0	0	0	0	0	0	0	0
United Kingdom	301	8,798	2,233	262	309	0	13,894	873	10,532
United States	0	0	0	0	0	0	0	0	0
Total	**346**	**10,457**	**2,495**	**336**	**275**	**0**	**14,980**	**938**	**11,803**

SSE's UK and Irish businesses have differed since SSE exited the GB domestic energy market in 2020. SSE's remaining GB businesses are capital-intensive, with higher profit margins and significant levels of capital allowances each year on capital expenditure. In Ireland, SSE operates the Airtricity domestic supply business which has a high turnover but low margins, and less capital expenditure or capital allowances.

This results in the business in Ireland having a higher amount of turnover-per-employee than the UK business. The UK business's profit before taxes as a percentage of turnover is higher than the Irish business. Ireland's current tax rate is lower than the UK's, but the Irish current tax charge, stated above, includes a £31.8m prior period adjustment.

Ten years of tax transparency

SSE's subsidiaries outside of the UK and Ireland

SSE's subsidiaries outside of Ireland and the UK have been established for commercial reasons. SSE does not use overseas subsidiaries for tax benefits or use tax havens to reduce tax costs, as prohibited in SSE's Tax Policy.

The country of tax residence for all overseas companies is the same as their country of incorporation, unless stated below.

The majority of SSE's subsidiaries in France, Greece, Italy, and Greece formed part of SGRE's onshore development platform in Southern Europe, acquired by SSE in 2022.

France
SSE now owns 28 wholly owned French subsidiaries and is seeking to develop this portfolio of early development stage onshore projects as well as pursuing additional prospects. SSE is building its first project in France, the 28MW Chaintrix-Bierges and Vélye Wind Farm.

Germany
In December 2019, SSE entered an agreement to acquire the development rights for a small portfolio of onshore wind projects in Germany. However, the acquisition did not proceed. There is no development activity currently ongoing in Germany and SSE has begun the process to close this company within the next 12 months. The company is treated as UK tax resident through being managed and controlled in the UK.

Greece
SSE now owns seven wholly owned Greek subsidiaries and is seeking to develop the portfolio of early development stage onshore projects as well as pursing additional prospects.

Hong Kong
During 2020/21, SSE incorporated a wholly owned subsidiary, Beithe (HK) Limited, in Hong Kong to potentially act as a holding company. The company was dormant since its incorporation and was dissolved in June 2023.

Isle of Man
SSE operates a captive insurance company, SSE Insurance Limited, which is incorporated in the Isle of Man. Its primary purpose is to provide greater control over SSE's management of specific risks, with annual premium payments being made. SSE Insurance Limited is treated as a "controlled foreign company" for UK tax purposes as it is wholly owned by SSE. SSE therefore pays UK corporation tax on its profits.

Italy
SSE now owns four wholly owned Italian subsidiaries and is seeking to develop the portfolio of early development stage onshore projects as well as pursuing additional prospects.

Japan
In 2021, SSE completed the acquisition of an 80% equity interest in an offshore wind development platform from Pacifico Energy and its affiliates. The new joint ownership group, SSE Pacifico, seeks to develop the acquired 10GW portfolio of early development stage offshore wind projects.

Netherlands
SSE has established 11 wholly owned subsidiaries which are incorporated in the Netherlands. The Dutch Government has awarded the consortium SSE and APG the rights to a pre-developed and fully consented site in the IJmuiden Ver Wind Farm Zone in the North Sea.

Alongside SSE's joint venture partner APG, it is also moving forward with the 2GW Alpha offshore wind site in the Netherlands. Subject to reaching a Final Investment Decision (FID), expected by late 2025, the wind farm would be commissioned by the end of this decade.

Poland
SSE has further expanded its solar PV pipeline in Europe, with the acquisition from developer IBC Solar of a 400MW portfolio of early-stage projects in Poland.

This follows a previous acquisition of circa 500MW of early-stage solar PV projects, also in Poland, from local developer, Optisol. Taken together, the two solar portfolios bring our prospective pipeline of solar PV projects in Poland to 900MW. This pipeline will be progressed by SSE under a Developer Services Agreement (DSA) with IBC Solar and Optisol.

Spain
SSE now owns 23 wholly owned Spanish subsidiaries. SSE seeks to develop the acquired portfolio of early development stage onshore projects as well as additional future prospects. SSE has begun the construction of its first onshore windfarm in Spain, Jubera, located in North Spain, La Rioja.

Switzerland
SSE's subsidiary, Beithe AG, was wound up in September 2023. The company was treated as being tax resident in the UK, meaning its profits were subject to UK taxes.

United States
SSE has established three wholly owned subsidiaries, which are incorporated in the United States. These entities were set up for the purposes of submitting a bid for an offshore wind energy auction. SSE's bid in the auction was unsuccessful and these entities are currently dormant.

Effective tax rates

In simple terms, SSE's effective tax rate (ETR) is the average percentage it pays in taxes on its taxable income. For many reasons, SSE's ETR may differ from the corporation tax rates of the countries in which its business activities are undertaken, currently primarily the UK and Ireland.

In the year ended 31 March 2024, the corporation tax rate in the UK was 25% and in Ireland it was 12.5%.

SSE's adjusted current tax rate in 2023/24, based on adjusted profit before tax, was 17.1%, compared with 16.4% in 2022/23 on the same basis. Due to significant annual investment by SSE in its businesses, its adjusted current tax rate is reduced by the impact of tax allowances on that investment and tax relief on funds borrowed to finance the expenditure. This meant that SSE's ETR for the year to 31 March 2024, at 17.1%, was lower than the standard 25% UK corporation tax rate.

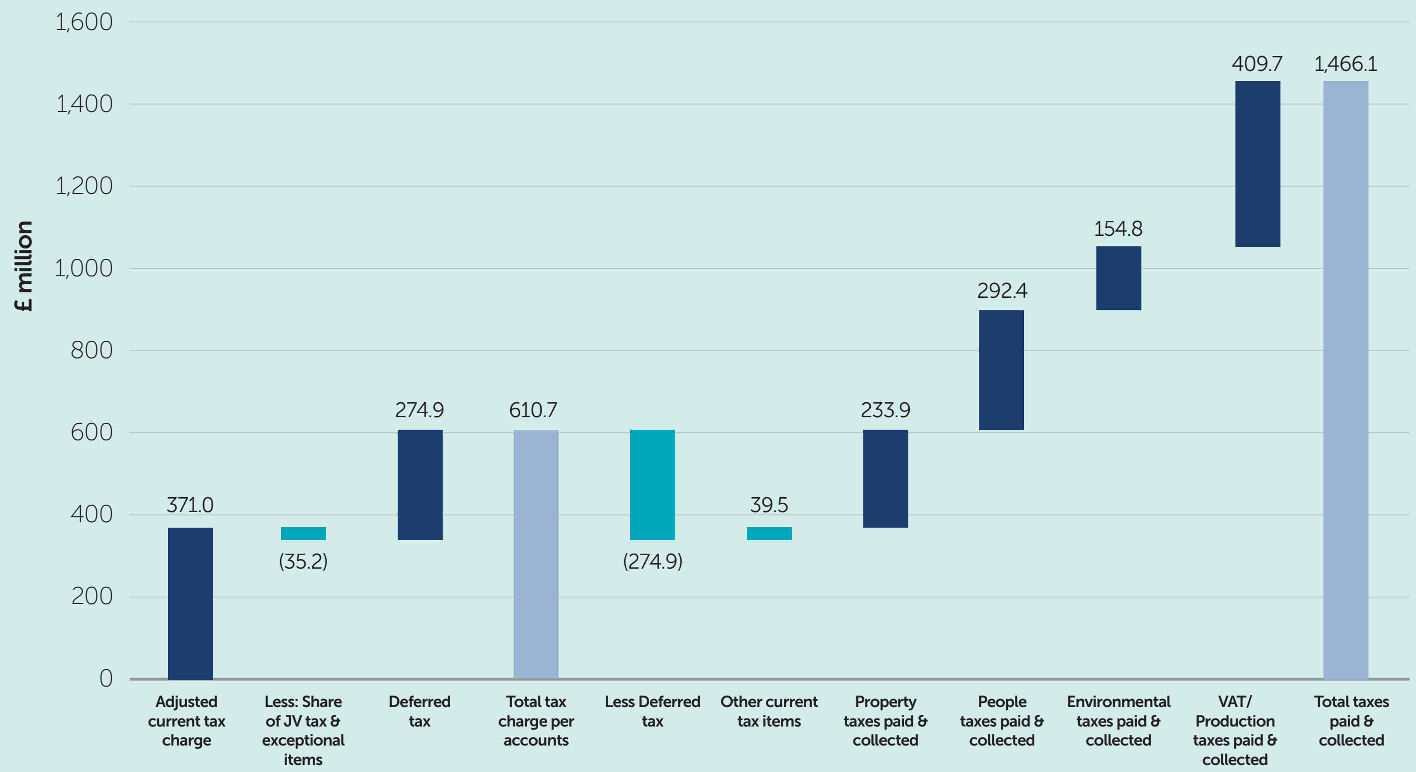
SSE's adjusted current tax rate is only one measure of ETR; details of alternate performance measures can be found in the glossary on page 24 as well as in the Annual Report 2024. SSE invests heavily in capital assets and has elected to disregard fair value movements on financial instruments and commodities to reduce the associated volatility in tax charges. These items result in timing differences between when they are taken into account for accounting purposes on one hand, and tax purposes on the other.

Deferred tax must be booked on these timing differences to arrive at the total tax charge per the accounts for each year. SSE's total reported tax rate for the year to 31 March 2024, once deferred tax is taken into account, was 25.6%.

To then arrive at SSE's total tax contribution for the year, non-cash taxes such as deferred tax must be removed and amounts paid or collected in relation to property taxes, people taxes and employment taxes must be added. The below diagram reconciles SSE's adjusted current tax charge to total tax charge and then total tax contribution.

SSE's adjusted current tax rate	Total Reported Tax Rate	Total Tax Contribution
17.1%	**25.6%**	**£1.47bn**
(2022/23: 16.4%)	(2022/23: 12.7%)	(2022/23: £1.3bn)

Analysis of 2023/24 taxes



Accelerated capital allowances

One of the key contributing factors as to why SSE's current tax charge is lower than would be expected if the UK current tax rate was applied to the group profit, is the impact of accelerated capital allowances.

Capital allowances are tax reliefs provided in law for the expenditure that SSE makes on property, plant and equipment. They support increased levels of investment and reduce the cost of energy, both of which are intended to be in the public interest and have a positive net benefit to taxation.

The rates are determined by Parliament annually and spread the tax relief due over a number of years. This contrasts with the accounting treatment for such assets, where the expenditure on property, plant and equipment is depreciated over the useful life of the asset, or impaired if the value of such assets is considered to have reduced materially.

The different accounting treatment of property, plant and equipment for tax and accounting purposes means that the taxable income of the Group is not the same as the profit reported in the financial statements.

From 1 April 2023, the UK Government introduced full expensing, which provides 100% (or 50%) relief in the first year for plant and machinery (special rate) assets. The introduction of this valuable accelerated relief, designed to increase investment in the UK, has further widened the gap between SSE's current tax rate and the UK statutory rate.

As this is only, however, a timing difference, a deferred tax liability has to be booked which is released over the useful lives of the relevant qualifying assets. The resulting deferred tax charge means SSE's total tax charge (including deferred tax) is much closer to the UK corporate tax rate. Total capital allowances claimed and accumulated accounting depreciation will eventually equal one another over time.

Total tax contribution 2023/24

Total tax contribution is calculated by adding the value of taxes paid to the value of taxes collected. SSE's total tax contribution across all jurisdictions in which it has trading activities for the year ended 31 March 2024 was £1.5bn, compared to £1.3bn in 2022/23.

As SSE's main trading activity takes place in the UK and Ireland, the tax contributions SSE has made to the UK and Irish exchequers are shown in this section along with breakdowns of these taxes, with explanations provided for significant changes between 2022/23 and 2023/24.

SSE has activities in seven other countries: France, Greece, Italy, Japan, the Netherlands, Poland and Spain. However, total tax contribution in these countries is immaterial so breakdowns have not been included in this section.

UK taxes

Total tax contribution 2023/24

£1.3bn

(2022/23: £1.2bn)

Ireland taxes

Total tax contribution 2023/24

€178m (£154m)

(2022/23: €141m (£122m))

UK tax breakdown

Taxes paid 2023/24

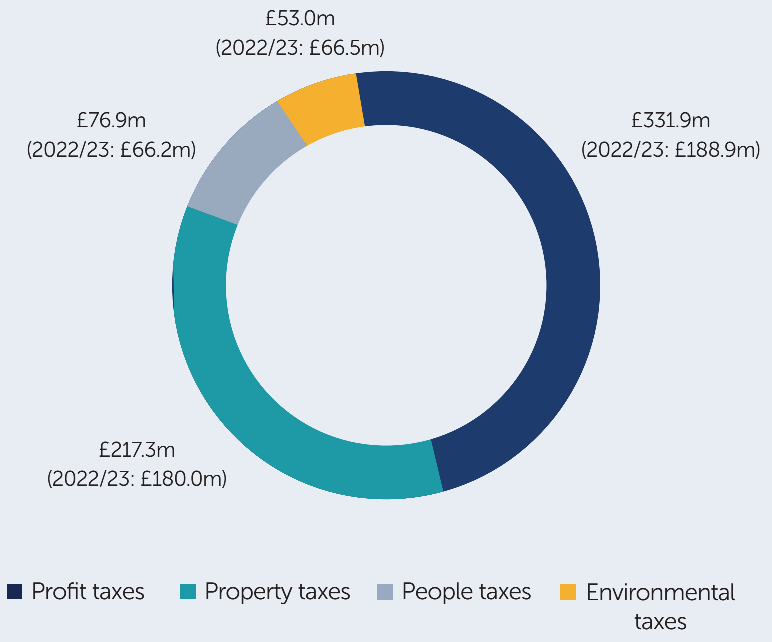
£679m
(2022/23: £502m)

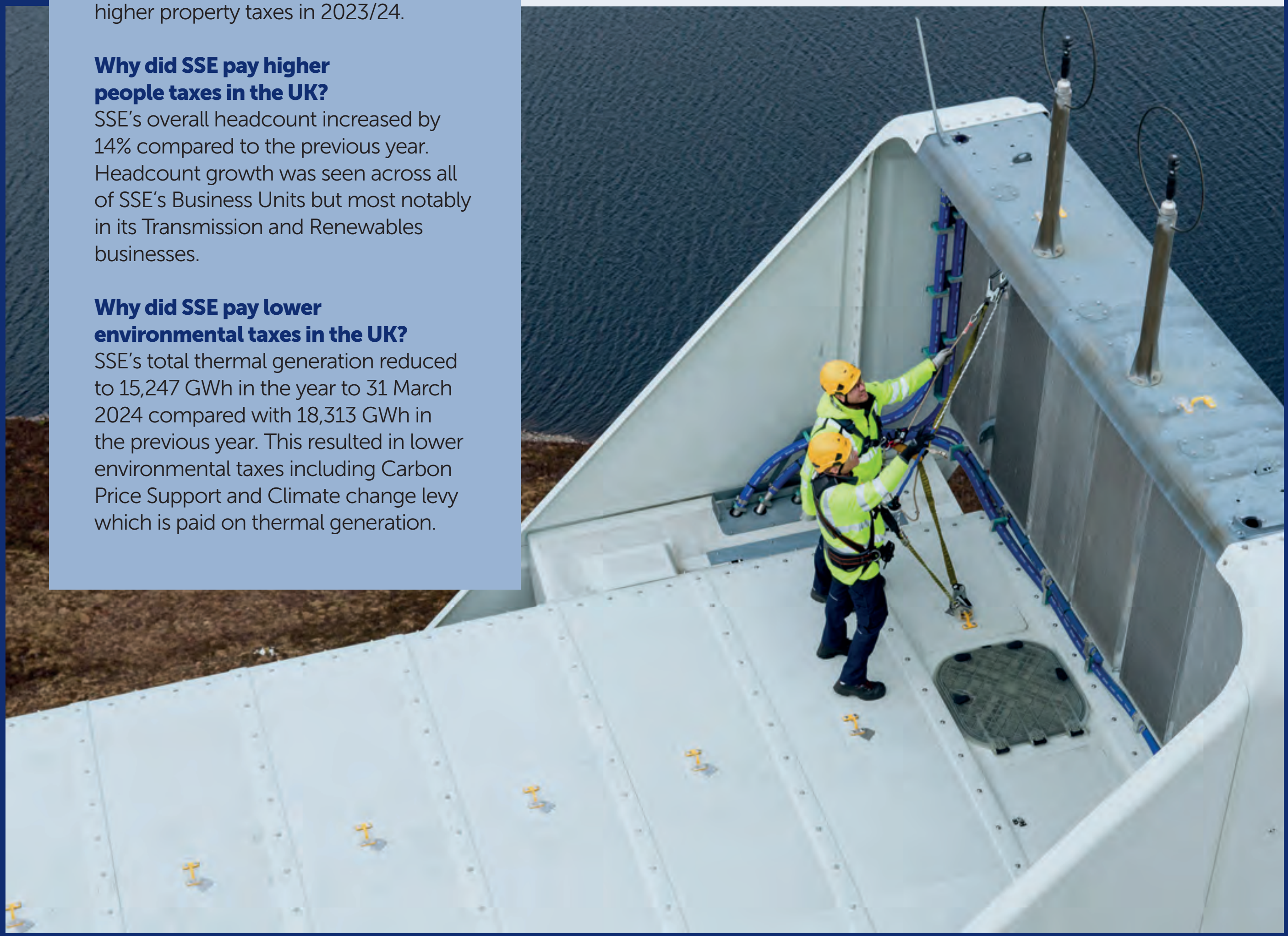
Why did SSE pay higher profit taxes in the UK?
SSE paid more corporation tax during 2023/24 compared to the previous year as a result of the business making increased profits, combined with an increase to the UK corporate tax rate for the period of 25% from 19%.

Why did SSE pay higher property taxes?
As SSE continued to grow, it increased its property and land portfolio. This increase in property ownership, along with overall increases in property tax rates across the UK, meant that SSE paid higher property taxes in 2023/24.

Why did SSE pay higher people taxes in the UK?
SSE's overall headcount increased by 14% compared to the previous year. Headcount growth was seen across all of SSE's Business Units but most notably in its Transmission and Renewables businesses.

Why did SSE pay lower environmental taxes in the UK?
SSE's total thermal generation reduced to 15,247 GWh in the year to 31 March 2024 compared with 18,313 GWh in the previous year. This resulted in lower environmental taxes including Carbon Price Support and Climate change levy which is paid on thermal generation.



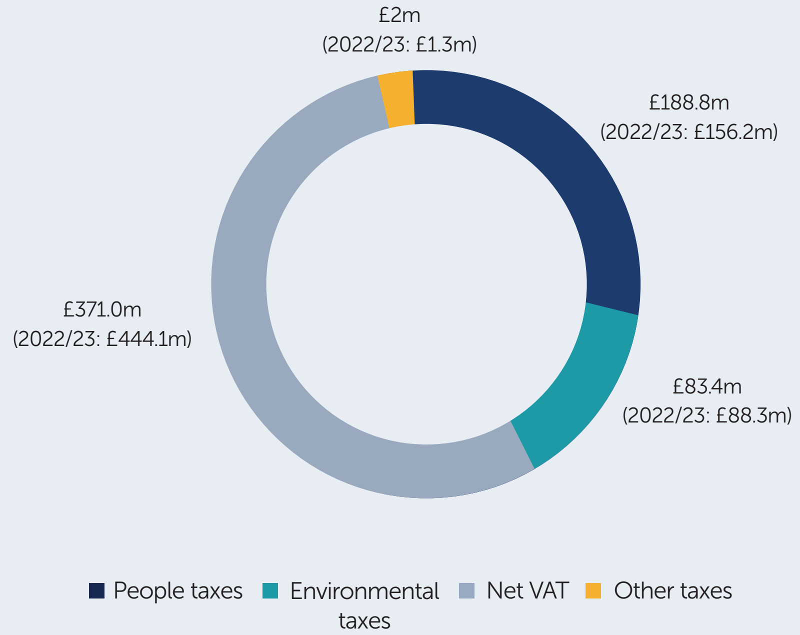


Taxes collected 2023/24

£645m
(2022/23: £690m)

Why did SSE collect more people taxes in the UK?
As noted above, this was due to increased headcount across SSE. Additionally, the higher Scottish rates of income tax alongside a freeze on personal allowance thresholds since 2020/21, has resulted in the collection of more people taxes.

Why did SSE collect less environment taxes and VAT in the UK?
Lower sales in the SSE Business Energy division through a combination of lower customer numbers and increased energy efficiency measures resulted in lower VAT and environmental taxes being charged and collected by SSE. The business has experienced a challenging three years due to COVID-19 followed by a period of extreme commodity price volatility which affected consumer demand.



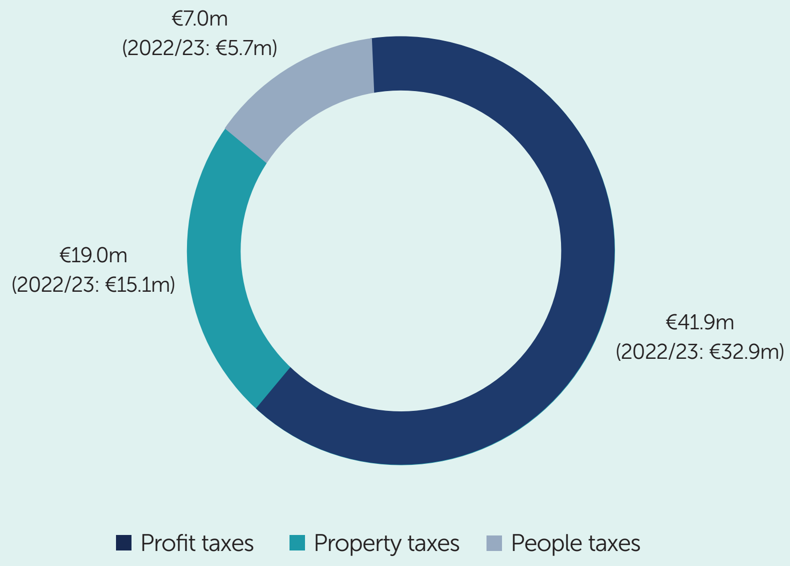
Ireland tax breakdown

Taxes paid 2023/24

€68m (£59m)
2022/23: €54m (£46m))

Why did SSE pay more people taxes in Ireland?
SSE's headcount in Ireland increased compared to the previous year resulting in an increase in people taxes paid.

Why doesn't SSE pay environmental taxes in Ireland?
Ireland doesn't have the equivalent of the UK's Climate Change Levy, so SSE incurs no environmental taxes in Ireland.

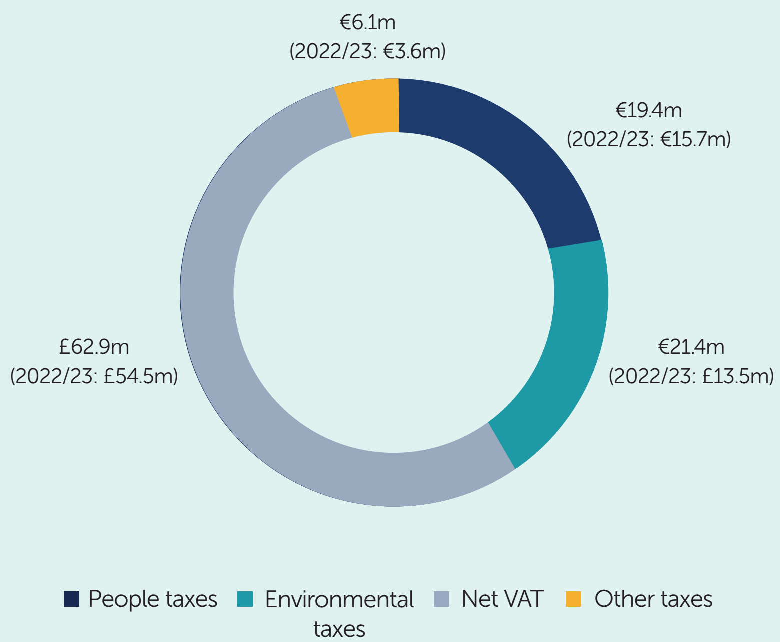


Taxes collected 2023/24

€110m (£95m)
(2022/23: €87m (£75m))

Why did SSE collect more environmental taxes in Ireland?
SSE collected more Natural Gas Carbon Tax in 2023/24 as a result of an increase of around 18% in the rate of Natural Gas Carbon Tax and an increase in the volume of gas supplied to customers. SSE also overpaid Electricity Tax in 2023/24 and received a refund in the following period.

Why did SSE collect more VAT in Ireland?
SSE collected more VAT in 2023/24 due to an increase in sales of gas and electricity to customers.



7. SSE's Tax Strategy

The UK's 2016 Finance Act includes requirements for large businesses to publish their tax strategy. SSE's tax strategy does not change significantly from year to year and there is a well understood, and mature, approach to tax planning, risk management and governance.

This publication of SSE's Tax Strategy below means it complies in full the duty under paragraph 16(2) of Schedule 19 of Finance Act 2016 for the year ended 31 March 2024.

1. Tax policy

SSE's Group Tax Policy underpins the pride SSE takes in paying its fair share of tax. The policy is published on sse.com and is subject to annual review by the SSE plc Board.

SSE's primary objective from a tax perspective is to be compliant with all tax legislation requirements. This includes making timely and accurate returns which reflect SSE's fiscal obligation to government whilst, at the same time, recognising all legislative concessions and reliefs.

The policy is owned by Group Tax Director and is one of a suite of group-level policies that promote a healthy business culture. SSE strives to minimise its total tax liability within the framework of legislative reliefs but does not take an aggressive stance in its interpretation of tax legislation. In addition, SSE does not help its customers, suppliers, or anyone else we work with, to fraudulently underpay, or not pay, tax. SSE develops and maintains a strong working relationship with HM Revenue & Customs and other Treasury departments based on trust and cooperation.

The Tax Policy explicitly outlines the process for whistleblowing. If any employee becomes aware of anything that falls short of SSE's expected high standards of ethical conduct and compliance in relation to Tax, they can raise it formally or informally, directly with their line manager or anonymously through an independent channel, Safecall.

2. Governance and accountability

- **Board**
  Set the Group Risk Management and Internal Control Policy, which consists of a clear set of principles and sets out roles and responsibilities which guide the risk management culture. The Board also reviews the effectiveness of the system of internal control annually.

- **Director of Group Risk and Audit**
  Produces an annual report detailing the activity and operation of the internal control system. This report includes findings from any internal audit and assurance reviews in perceived areas of risk concerning SSE's tax affairs.

- **SSE's Chief Financial Officer**
  Has ultimate responsibility for tax and for ensuring compliance with Group Tax Policy and is the Senior Accounting Officer for all group companies.

- **Group Tax Director**
  Has responsibility for managing all tax matters for the group and fulfilling compliance requirements, and reports into the CFO.

- **Tax and Treasury Steering Committee**
  Meets monthly to discuss key tax issues in order to manage tax risk. The tax implications of significant business transactions are evaluated, and areas where tax-related decisions are required to be taken are considered.

In addition to the activity outlined above:

- A tax manual is maintained which outlines the Tax Department roles and structure, and the tax control environment and procedures;
- Regular risk reviews are undertaken to identify key tax risks and recommendations are made to allow improvements in processes and controls to be made; and
- A tax risk register is maintained which documents key risks, details the potential impact on the business and identifies existing/proposed controls which can extinguish or minimise the tax risks. From that, a work plan is prepared annually, timetabling in the compliance review activity to be undertaken.

Tax specialists in SSE are expected to:

- Apply diligent professional care and judgement when considering tax risks in line with the Group Risk Management and Internal Control Policy, and thoroughly assess tax risks in a consistent way;
- Ensure identified tax risks are supported with strong technical positions which are well documented and clearly explain the conclusion and position reached;
- Seek, where appropriate, advisory and technical support from external tax, accounting and legal advisors to resolve uncertainty or obtain assurance that a conclusion reached is reasonable;
- Maintain constructive relationships with stakeholders and ensure that tax decisions do not negatively impact on SSE's relationship with its customers, investors, regulators, or other key stakeholders; and
- Ensure that non-tax specialist colleagues who process transactions, etc., have adequate training and guidance on tax matters relevant to their role.

3. Consistency and attitude to tax planning

SSE has an obligation to keep energy prices for customers as low as possible, and to maximise shareholder returns, which includes efficiently managing the Group's total tax liability. Those considerations are consistent with SSE's duty to wider society to be a responsible corporate citizen.

The Tax Department provides an understanding of the tax consequences of key transactions from planning through to implementation to enable informed decisions. Where there are a number of options as to how a transaction may be undertaken, while still delivering the same commercial outcome, the most tax efficient approach will typically be considered.

All tax decisions taken by SSE consider relevant laws, regulations and the commercial substance of any transaction and are consistent with SSE's Group Tax Policy.

4. Compliance

SSE's primary objective in relation to tax is that the Group operates in accordance with all relevant laws, rules and regulations in all jurisdictions in which SSE operates, at all times.

This entails:

- Being open, honest and transparent in all correspondence with tax authorities and other regulatory bodies, ensuring full disclosure is provided;
- Following internal compliance procedures to i) produce accurate and complete tax returns which are submitted on time and ii) ensure that SSE meets its Senior Accounting Officer obligations;
- The Tax Department working with the wider business finance teams, to obtain the necessary financial information and background to significant transactions to ensure tax conclusions and returns are based on full, relevant information;
- The filing position taken on any significant or contentious items being supported by adequate documentation, together with reasoned conclusions based on the legislation in force at the time of filing. Advice is sought from SSE's external tax advisers, where it is considered necessary. Explanatory notes are added to SSE's tax computations to assist HMRC's, or the relevant overseas tax authority's, understanding of the position;
- When SSE's corporation tax computations are filed, SSE provides a summary of areas HMRC or the relevant overseas tax authority may want to focus their review, to facilitate proactive engagement. SSE also contacts the relevant tax authority to advise them of the reason for any material movements in tax payments compared with what they may have been expecting.

5. Concessions and relief

Tax incentives will be utilised where appropriate to minimise SSE's tax liability in accordance with all applicable laws, rules and regulations. Where there is any element of judgement in applying available incentives, professional judgement is applied, but an aggressive interpretation of the legislation is not adopted. This helps ensure that the Group complies with both the letter and spirit of the law.

6. Tax authority and regulator relations

The maintenance and development of a strong working relationship with HMRC and other tax authorities should be based on trust and cooperation.

SSE is subject to an annual risk assessment by HMRC and strives to achieve as low a risk rating as can be achieved by a group of SSE's size and complexity. SSE has low risk rating and seeks to maintain that by providing full information in a timely manner and proactively and regularly engaging with HMRC and other tax authorities to explain key business transactions, minimise tax risk and provide understanding of the approach taken.

7. Tax authority enquiries and uncertain tax positions

As would be expected for a group of its size, SSE has a small number of tax enquiries ongoing with the tax authorities at any one time. In addition, under Corporate Tax Self-Assessment, SSE adopts a filing position on matters in its tax returns that may be large or complex, with the position then being discussed with the tax authorities either in advance or after the tax returns have been filed. SSE engages proactively with the tax authorities on such matters with a view to resolving them as quickly as possible.

Where SSE considers that the tax authorities may disagree with its view, and that additional tax may become payable as a result, a provision is made in SSE's accounts for the potential tax liability, which is then released once the matter has been agreed. This is in line with SSE's overall prudent approach to its tax responsibilities.

8. People development

Finally, all necessary technical reading and training is undertaken to ensure all laws and regulations are applied correctly within both the letter and spirit of the law. Training and guidance are provided to non-tax specialist colleagues on tax matters relevant to their roles and the Tax Department monitor updates and changes to tax legislation to assess the impact on the Group.

8. Glossary of terms

Alternative Performance Measures
SSE assesses the performance of the Group using a variety of performance measures. These measures are not all defined under IFRS and are therefore termed 'non-GAAP' measures. A reconciliation from these non-GAAP measures to the nearest prepared measure in accordance with IFRS is presented and described on page 190 of SSE's Annual Report 2024. The Alternative Performance Measures SSE uses might not be directly comparable with similarly titled measures used by other companies.

Business rates
Business rates are property taxes paid directly to local councils on most non-domestic properties. These taxes contribute towards the cost of services provided to businesses by local authorities.

Capital allowances
Capital allowances are the tax relief given to businesses for investing in capital expenditure. The rate of capital allowances given differ depending upon the type of asset involved but range from 3% for structures and buildings to 18% for plant and machinery.

Capital expenditure
Capital expenditure is money spent by a business in acquiring or constructing enduring assets such as wind farms or electricity networks that will generate profits. The expenditure is capitalised on the company's balance sheet rather than being expensed.

Climate change levy (CCL)
Climate Change Levy is a UK environmental tax which is charged on energy used by non-domestic customers in the UK. Its aim is to provide an incentive to increase energy efficiency and reduce carbon emissions.

Controlled foreign company (CFC)
In the UK, a CFC is a foreign company which is not resident in the UK, but which is controlled from the UK. The CFC tax rules aim to prevent UK profits being diverted to low tax jurisdictions. Consequently, if profits are earned through a CFC and do not meet any of the exemptions, those profits are apportioned and charged to a UK company which means the profits are subject to UK corporation tax.

Corporation tax
Corporation tax is the main tax a company pays on its profits. In the UK, the 'headline' rate is currently 25% and in Ireland it is 12.5%.

Deferred tax rate
Income tax that is payable in the future. Deferred tax arises because there is a difference between taxable profits and accounting profits.

Effective tax rate (ETR)
The different types of taxes SSE pays on profits are set at different rates and can vary depending on specific circumstances. To calculate its effective tax rate, SSE takes its total profit taxes paid and divides this by the value of its profits before tax. SSE's effective tax rate will vary from year to year, depending on profits made and other elements.

Environmental tax
Taxes that encourage businesses to operate in a more environmentally friendly manner. There are a number of different environmental taxes and schemes for different types and sizes of business. For SSE, the most material environmental taxes paid are Carbon Price Support / Climate Change Levy and Landfill Tax.

Just transition
A just transition seeks to reach net zero in the fairest way possible for working people, consumers, and their communities, ensuring that the benefits of climate action are shared widely whilst preventing unfair burden of the costs on those with the least.

Natural Gas Carbon Tax Rate
The Natural Gas Carbon Tax (NGCT) rate is a levy imposed on the carbon emissions associated with the use of natural gas. It aims to incentivise reduced carbon emissions by increasing the cost of natural gas consumption, encouraging cleaner energy alternatives. It was introduced in Ireland on 1 May 2010 and applied to all-natural gas supplied to consumers.

Net assets
A company's balance sheet is comprised of assets and liabilities, of a short-term (such as cash or amounts payable to suppliers) and long-term (such as buildings or bank loans) nature. The company's net assets represent the total of all assets less all liabilities.

Net zero
A target to completely eliminate greenhouse gas emissions produced by human activity, to be achieved by dramatically reducing emissions and implementing methods of absorbing carbon dioxide from the atmosphere to neutralise any residual emissions. Both the UK and Irish Governments have legislated for net zero greenhouse gas emissions by 2050.

People tax
Taxes companies pay on wages earned by their employees and collect from employee wages on behalf of governments, primarily income tax and National Insurance contributions.

Profit tax
Taxes paid on the profit a company makes. All successful businesses must pay tax on the profits they earn. Corporation tax is just one way that governments can tax profits. In the UK, SSE's profits are also subject to a Petroleum Revenue Tax which is paid on upstream oil and gas extraction activities.

Property tax
Taxes paid that relate to owning or using properties and infrastructure. These include business rates, nondomestic rates on electricity network assets, and taxes on transactions when properties are bought and sold.

UN Sustainable Development Goals
The UN Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.

Tax avoidance
The legal usage of the tax regime, in a single territory, to one's own advantage to reduce the amount of tax that is payable by means that are within the law. A tax shelter is one type of tax avoidance, and tax havens are jurisdictions that facilitate reduced taxes. Tax avoidance is different from tax evasion (which is illegal).

Tax haven
A country or independent area where taxes are levied at a low rate. Some companies and individuals deliberately structure their financial affairs to benefit from the low tax rates being offered.

Tax planning
Tax planning is a responsible way of organising tax affairs to ensure that tax is not overpaid, understanding that modern tax regimes are complex and give the taxpayer options as to how to organise their business which in turn impacts on the duty to pay tax.

Tax relief
Tax reliefs are used by governments to encourage certain behaviours from companies, particularly to encourage them to do things that have a wider benefit to the economy. For example, there are tax reliefs for research and development and for capital investment.

UK Finance Act
As part of the annual UK Budget, changes to tax and duty are outlined. Each year, these changes are passed as law through the Finance Act.

VAT (Value added tax)
A tax charged on goods and services, which are either bought from suppliers, or sold to customers. VAT is both collected on behalf of, and paid to, the tax authorities.

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