Risk-informed decision making continued
Managing SSE's risks continued

Risk Appetite Statement

The Group risk appetite remains aligned to the achievement of SSE's strategic objectives. SSE will however only accept risk where it is consistent with its core purpose, strategy and values; is well understood; can be effectively managed; is in line with stakeholder expectations and offers commensurate reward.

The sectors in which SSE operate are part of a rapidly changing industry subject to a high degree of political, regulatory and legislative change as well as risk arising from other developments including technology, the impact of competition, stakeholders' evolving expectations and climate change. Furthermore, each of SSE's Business Units have differing levels of exposure to additional risks. For example, the Transmission and Distribution businesses are economically regulated and are characterised by relatively stable, inflation linked cash flows while the SSE Renewables business benefits from cash flows linked to government-mandated renewables subsidies. Those Business Units that generate and trade energy are also exposed to significant medium- to long-term energy market and commodity risks in operational and investment decision making.

The key elements of SSE's Strategic Framework – including SSE's Purpose, Strategy, Goals and Values, as well as the focus of its business model, are fully reflective of its risk appetite (see pages 8 and 9 for further details).

Fundamentally:

- SSE has a clear strategy to create value for shareholders and society in a sustainable way by developing, building, operating, and investing in the electricity infrastructure and businesses needed in the transition to net zero.
- SSE has a good understanding of the risks and opportunities in the Great Britain and Ireland energy markets and a strong associated knowledge of adjacent EU markets, augmented by its acquisitions. UK and Irish markets, alongside EU markets therefore provide the Group's geographic focus, with expansion into other new international markets being subject to rigorous scrutiny and ensuring the appropriate governance arrangements which are consistent with the Group's values and strategic goals are in place.
- Safety is SSE's first value and it has no appetite for risks brought on by unsafe actions, nor does it have any appetite for risks brought on by insecure actions including those relating to cyber security. In areas where SSE is exposed to risks for which it has little or no appetite, even though it has implemented high standards of control and mitigation, the nature of these risks mean that they cannot be eliminated completely.

In determining its appetite for specific risks, the Board is guided by three key principles:

1. Risks should be consistent with SSE's core purpose, financial objectives, strategy and values;
2. Risks should only be accepted where relevant approvals have been attained through the Governance Framework to confirm appropriate reward is achievable on the basis of objective evidence and in a manner that is consistent with SSE's purpose, strategy and values; and
3. Risks should be actively controlled and monitored through the appropriate allocation of management and other resources, underpinned by the maintenance of a healthy business culture.

The Board has overall responsibility for determining the nature and extent of the risk it is willing to take to achieve strategic objectives and for ensuring that risks are managed effectively across the Group.

Viability Statement

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

As required within provision 31 of the UK Corporate Governance Code, the Board has formally assessed the prospects of the Company over the next four financial years to the period ending March 2027. The Directors have determined that as this time horizon aligns with the Group's Net Zero Acceleration Programme Plus, which includes a fully funded capital investment programme to 2027, a greater degree of confidence over the forecasting assumptions modelled can be established.

In making this statement the Directors have considered the resilience of the Group taking into account its current position, the Principal Risks facing the Group and the control measures in place to mitigate each of them. The Directors recognise the significance of the strong balance sheet with total undrawn committed lending facilities as shown above:

	£bn	Matures	Comment
SSE plc	1.30	March 2026	
SSE plc	0.20	October 2026	
SSE plc	1.00	February 2024	Collateral facility with 1 year extension option (in favour of the banks)
SSEN Transmission*	0.75	November 2025	2, 1 year extension options (in favour of the Group)
SSEN Distribution	0.25	November 2025	2, 1 year extension options (in favour of the Group)
	3.50		

* The Transmission facility is available to that Business Unit only.

The Group is an owner and operator of critical national infrastructure and has a proven ability to maintain access to capital markets during stressed economic conditions. The Group has demonstrated this through securing £3.0bn of funding since April 2021 including the issuance of a 1bn Euro Hybrid bond in April 2022 and €650m bond in July 2022. Further detail relating to planned funding is available in A6.3 Accompanying Information to the Financial Statements in the Annual Report and Accounts.

The Group has a number of highly attractive and relatively liquid assets – including a regulated asset base which benefits from a strong regulated revenue stream as well as the operational wind portfolio – which provide flexibility of options. This has been demonstrated through the success of the programme of disposals set out by the Group in June 2020 and with the recent sale of a 25% stake in the Transmission business.

To help support this Statement, over the course of the year a suite of severe but plausible scenarios has been developed for each of SSE's Principal Risks. These scenarios are based on relevant real life events that have been observed either in the markets within which the Group operates or related markets globally. Examples include critical asset failure to generation assets (for Energy Infrastructure Failure); changes to key government energy policies (for Political and Regulatory Change); and the physical impacts of climate change on distribution assets through more frequent and increasingly severe storm events (for Climate Change).

Scenarios are stress tested against forecast available financial headroom and in addition to considering these in isolation, the Directors also consider the cumulative impact of different combinations of scenarios, including those that individually have the highest impact.

Upon the basis of the analysis undertaken, and on the assumption that the fundamental regulatory and statutory framework of the markets in which the Group operates does not substantively change, and the Group continues to be able to refund its debt at maturity, the Directors have a reasonable expectation that the Group will be able to continue to meet its liabilities as they fall due in the period to March 2027.