

SSE AND NATIONAL GRID: CLIMATE CHANGE

1 ISSUE

A great benefit of collaborative engagements is the opportunity to develop sector specialisms and longer-term relationships - both with other investors and with the companies in which we invest. Rathbones is lead investor for the Climate Action 100+ (CA100+) engagement with two UK utility companies, SSE and National Grid. CA100+ is an investor coalition that presses the biggest corporate greenhouse gas emitters on climate change.

SSE is a UK-based energy company that generates, transmits and distributes electricity in the UK and Ireland. Its long-term vision: to be a major generator of renewable energy, and to build the energy networks to enable the UK to reach its net zero goals.

National Grid transmits and distributes electricity in the UK, including operating the entire grid system. It also owns and operates electricity transmission facilities in the US.

Our investment in both companies is a significant source of embedded emissions in our group carbon footprint, [which we're committed to reducing](#). Embedded emissions are those associated with our investments in companies, each with their own carbon footprint.

2 PROCESS

In 2022 we met senior leaders at both companies several times, as part of a group of investors in charge of the CA100+ engagement with both businesses. In conjunction with other supporting investors, we prepared and submitted investor statements at their AGMs.

For SSE, we concentrated in 2022 on the company's capital expenditure alignment with the Paris Agreement, asking how the company ensured that spending plans matched lofty ambitions on climate change. We also examined the degree of climate expertise on the board, concluding that it was sufficient. Rathbones also asked about the possibility of more concrete commitments to reduce Scope 3 emissions - primarily those stemming from the activity of customers.

We met the National Grid chair and other senior management in 2022. Our statement submitted to the AGM praised progress made - particularly the alignment with the Paris Agreement's 1.5°C goal in the UK part of the business, and the absolute Scope 3 emissions reductions target for the group. However, we thought there weren't clear targets in place to demonstrate that the entire group was fully aligned with the 1.5°C goal on a 'real zero' basis.

3 OUTCOME

SSE committed to re-issuing its Net Zero Transition Plan and exploring more ways in which the formal accounting audit process could take account of climate risk.

National Grid issued its first-ever formal Say on Climate plan - its plan for decarbonising the business, which shareholders could endorse or reject at the AGM. This was approved by shareholders, including Rathbones. It included a major step forward: a 'real zero' emissions plan for the US.

At the AGM, the chair welcomed constructive engagement by CA100+ investors and gave encouraging answers to various questions, including aligning the whole group with 1.5°C and disclosing more about lobbying.

NATIONAL GRID ISSUES FIRST SAY ON CLIMATE PLAN

SSE TO EXPLORE FURTHER HOW ITS ACCOUNTS CAN INCORPORATE CLIMATE RISK