

## CASE STUDIES CONTINUED

# SSE: continuing progress over climate change

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*The specific securities identified and described are for informational purposes only and do not represent recommendations.*

## WHAT'S THE ISSUE?

SSE generates, transmits and distributes electricity in the UK and Ireland. Our investment in the company 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. We're the lead investor for the [Climate Action 100+/Institutional Investors Group on Climate Change](#) engagement with the company. Over the ten years that we've engaged with SSE, we've seen noticeable progress in addressing climate change.

## WHAT DID WE DO?

In early 2023, we wrote to the company on behalf of the other SSE CA100+/IIGCC lead investors. Our letter encouraged the audit committee to ensure that material climate risks associated with the transition to net zero by 2050 were fully incorporated into SSE's financial statements. Financial reporting that's aligned with the Paris Agreement to limit climate change helps investors understand the economic resilience of the business to the physical and transition risks associated with climate change. This disclosure of climate risk helps inform their investment and stewardship decisions.

## WHAT HAPPENED?

The chair of the audit committee said the company agreed with us on the importance of reflecting climate factors in financial statements. SSE pointed to its latest annual report, which showed in detail how SSE measured up to each of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), an international body. However, the company acknowledged the room for improvement. Because of this, during the past year SSE had been building on its earlier analysis of how the company would be affected by different climate scenarios, to meet more fully both the TCFD recommendations and growing investor expectations. The company expected the disclosures in the 2023 annual report to show this progress.

At the company's 2023 AGM, our stewardship director Matt Crossman made a statement to senior management and the board on behalf of CA100+. He commended SSE for actions already taken to address climate change, in particular the adoption and submission to the AGM of a formal transition plan. This plan explained how the firm expected to meet its science-based targets, approved by the SBTi. It included, too, a revised version of its net zero acceleration plan.

Matt also asked the board several questions. One was about how the board would continue to ensure the right balance between short-term energy system demands and long-term goals for reducing its carbon emissions. Another asked if more detail was possible on the emissions reductions which SSE judged necessary to meet its emissions targets.

SSE responded by setting out the challenges involved.

