

PROSPECTUS



SSE plc

(incorporated in Scotland, with limited liability, registered number SC117119)

Scottish Hydro Electric Power Distribution plc

(incorporated in Scotland, with limited liability, registered number SC213460)

Scottish Hydro Electric Transmission plc

(incorporated in Scotland, with limited liability, registered number SC213461)

Southern Electric Power Distribution plc

(incorporated in England and Wales, with limited liability, registered number 04094290)

€10,000,000,000

Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this Prospectus (the “**Programme**”), SSE plc (“**SSE**”), Scottish Hydro Electric Power Distribution plc (“**SHEPD**”), Scottish Hydro Electric Transmission plc (“**SSEN Transmission**”), and Southern Electric Power Distribution plc (“**SEPD**”) (each an “**Issuer**” and together, the “**Issuers**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the “**Notes**”). References in this Prospectus to the “**Issuer**” or the “**relevant Issuer**” when used in relation to a particular Tranche or Series (each as defined in “**Overview of the Programme — Method of Issue**”) are to the Issuer of such Tranche or Series, as the case may be, of Notes. The aggregate nominal amount of Notes outstanding under the Programme will not at any time exceed €10,000,000,000 (or the equivalent in other currencies).

Application has been made to the Financial Conduct Authority (the “**FCA**”) under Part VI of the Financial Services and Markets Act 2000 (“**FSMA**”) for Notes issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s Main Market (the “**Market**”). References in this Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended “**EUWA**”) (the “**UK MiFIR**”).

This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK Prospectus Regulation**”). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation; such approval should not be considered as (a) an endorsement of the Issuers; or (b) an endorsement of the quality of the notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Each Series of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**temporary Global Note**”) or a permanent global note in bearer form (each a “**permanent Global Note**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates. If the Global Notes are stated in the applicable Final Terms to be issued in new global note (“**New Global Note**” or “**NGN**”) form they will be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”).

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended (“**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA; (ii) a customer within the meaning of the provisions of FSMA and any rules or regulations made under the FSMA to implement IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II product governance / target market – The Final Terms in respect of any Notes may include a legend entitled “**MiFID II Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance / target market – The Final Terms in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Amounts payable under the Floating Rate Notes issued under the Programme may be calculated by reference to either the Euro Interbank Offered Rate (“**EURIBOR**”) or the Sterling Overnight Index Average (“**SONIA**”) as specified in the applicable Final Terms, which are provided by the European Monetary Markets Institute and the Bank of England respectively. As at the date of this Prospectus, the Administrator of EURIBOR (European Monetary Markets Institute) appears on the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011) as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK BMR**”). As at the date of this Prospectus, the Administrator of SONIA (the Bank of England) does not appear on the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of the UK BMR. As far as the Issuer is aware, the Bank of England (as administrator of SONIA) is not required to be registered by virtue of Article 2 of the UK BMR.

Global Notes which are not issued in NGN form (“**Classic Global Notes**” or “**CGNs**”) and Certificates will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”).

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “Summary of Provisions Relating to the Notes while in Global Form”.

The Programme has been rated Baa1 by Moody’s Investors Service Ltd. (“**Moody’s**”) and BBB+ by S&P Global Ratings UK Limited (“**S&P**”). Each of Moody’s and S&P is established in the UK and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK CRA Regulation**”). Each of Moody’s and S&P is not established in the European Economic Area (“**EEA**”) and has not applied for registration under Regulation (EC) No.1060/2009 (as amended) (the “**EU CRA Regulation**”, and together with the UK CRA Regulation, the relevant “**CRA Regulation**”). However, S&P Global Ratings Europe Limited has endorsed the ratings of S&P and Moody’s Deutschland GmbH has endorsed the ratings of Moody’s. Each of S&P Global Ratings Europe Limited and Moody’s Deutschland GmbH is established in the EEA and registered under the EU CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme nor will it necessarily be the same as the rating assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the UK or EU and registered under the UK CRA Regulation or the EU CRA Regulation will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Prospectus will be valid as a base prospectus under the UK Prospectus Regulation for 12 months from 17 March 2022. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply following the expiry of that period.

Prospective investors should have regard to the factors described under the section headed “**Risk Factors**” in this Prospectus.

Arranger for the Programme
NatWest Markets
Dealers

Barclays
BNP PARIBAS
Lloyds Bank Corporate Markets
Morgan Stanley
RBC Capital Markets

BBVA
BofA Securities
MUFG
NatWest Markets
Santander Corporate & Investment Banking

17 March 2022

This document comprises a base prospectus for the purposes of the UK Prospectus Regulation and for the purpose of giving information with regard to SSE and SSE and its subsidiaries (including SHEPD, SSEN Transmission and SEPD) taken as a whole (together, the “SSE Group”) (the “SSE Prospectus”).

With the exception of the information contained in the sections entitled “Description of the Issuers — SSE plc”, “Description of the Issuers — Scottish Hydro Electric Transmission plc”, “Description of the Issuers — Southern Electric Power Distribution plc” and “Description of the Issuers — the SSE Group”, the information contained in the documents referred to in paragraphs (i), (iii) and (iv) of the section entitled “Documents Incorporated by Reference” and the information contained in paragraphs 2(a), (c) and (d) relating to the consents, approvals and authorisations in connection with the update of the Programme of SSE, SSEN Transmission and SEPD, 3(a) and (b) relating to the significant change statement of SSE, SSEN Transmission and SEPD, 4(a) and (b) relating to the material adverse change statement of SSE, SSEN Transmission and SEPD and 5(a) and (b) relating to the litigation statement of SSE, SSEN Transmission and SEPD, in each case of the section entitled “General Information”, this document comprises a base prospectus for the purposes of the UK Prospectus Regulation and for the purpose of giving information with regard to SHEPD (the “SHEPD Prospectus”).

With the exception of the information contained in the sections entitled “Description of the Issuers — SSE plc”, “Description of the Issuers — Scottish Hydro Electric Power Distribution plc”, “Description of the Issuers — Southern Electric Power Distribution plc” and “Description of the Issuers — the SSE Group”, the information contained in the documents referred to in paragraphs (i), (ii) and (iv) to (vii) (inclusive) of the section entitled “Documents Incorporated by Reference” and the information contained in paragraphs 2(a), (b) and (d) relating to the consents, approvals and authorisations in connection with the update of the Programme of SSE, SHEPD and SEPD, 3(a) and (b) relating to the significant change statement of SSE, SHEPD and SEPD, 4(a) and (b) relating to the material adverse change statement of SSE, SHEPD and SEPD and 5(a) and (b) relating to the litigation statement of SSE, SHEPD and SEPD, in each case of the section entitled “General Information”, this document comprises a base prospectus for the purposes of the UK Prospectus Regulation and for the purpose of giving information with regard to SSEN Transmission (the “SSEN Transmission Prospectus”).

With the exception of the information contained in the sections entitled “Description of the Issuers — SSE plc”, “Description of the Issuers — Scottish Hydro Electric Power Distribution plc”, “Description of the Issuers — Scottish Hydro Electric Transmission plc” and “Description of the Issuers — the SSE Group”, the information contained in the documents referred to in paragraphs (i), (ii) and (iii) of the section entitled “Documents Incorporated by Reference” and the information contained in paragraphs 2(a), (b) and (c) relating to the consents, approvals and authorisations in connection with the update of the Programme of SSE, SHEPD and SSEN Transmission, 3(a) and (b) relating to the significant change statement of SSE, SHEPD and SSEN Transmission, 4(a) and (b) relating to the material adverse change statement of SSE, SHEPD and SSEN Transmission and 5(a) and (b) relating to the litigation statement of SSE, SHEPD and SSEN Transmission, in each case of the section entitled “General Information”, this document comprises a base prospectus for the purposes of the UK Prospectus Regulation and for the purpose of giving information with regard to SEPD (the “SEPD Prospectus” and together with the SSE Prospectus, the SHEPD Prospectus and the SSEN Transmission Prospectus, the “Prospectus”).

SSE accepts responsibility for the information contained in the SSE Prospectus and the Final Terms for each tranche of Notes issued by SSE (the “SSE FTs”). To the best of the knowledge of SSE, the information contained in the SSE Prospectus and the SSE FTs is in accordance with the facts and the SSE Prospectus as completed by the SSE FTs makes no omission likely to affect its import.

SSEN Transmission accepts responsibility for the information contained in the SSEN Transmission Prospectus and the Final Terms for each Tranche of Notes issued by SSEN Transmission (the “SSEN FTs”). To the best of the knowledge of SSEN Transmission, the information contained in the SSEN Transmission Prospectus and the SSEN FTs is in accordance with the facts and the SSEN Transmission Prospectus as completed by the SSEN FTs makes no omission likely to affect its import.

*SHEPD accepts responsibility for the information contained in the SHEPD Prospectus and the Final Terms for each Tranche of Notes issued by SHEPD (the “**SHEPD FTs**”). To the best of the knowledge of SHEPD, the information contained in the SHEPD Prospectus and the SHEPD FTs is in accordance with the facts and the SHEPD Prospectus as completed by the SHEPD FTs makes no omission likely to affect its import.*

*SEPD accepts responsibility for the information contained in the SEPD Prospectus and the Final Terms for each Tranche of Notes issued by SEPD (the “**SEPD FTs**”). To the best of the knowledge of SEPD, the information contained in the SEPD Prospectus and the SEPD FTs is in accordance with the facts and the SEPD Prospectus as completed by the SEPD FTs makes no omission likely to affect its import.*

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference”). Other than in relation to the documents which are deemed to be incorporated by reference, the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

No person has been authorised to give any information or to make any representation not contained in this Prospectus in connection with the issue or sale of the Notes and, any information or representation not so contained must not be relied upon as having been authorised by any Issuer or any of the Dealers or the Arranger (as defined in “Overview of the Programme”). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of any Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of any Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The minimum specified denomination of the Notes issued under this Programme shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

*The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by each Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the “**Securities Act**”), and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account of, U.S. persons.*

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuers, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuers or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other financial statements should be considered as a recommendation by any of the Issuers, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of any Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of a Dealer is a licensed broker or dealer in

that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuers in such jurisdiction.

In connection with the issue of any Tranche (as defined in “Overview of the Programme — Method of Issue”), the Dealer or Dealers (if any) acting as the stabilisation manager(s) (the “Stabilisation Manager(s)”) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

Second Party Opinions and External Verification

In connection with the issue of Sustainability-Linked Notes or “Green Bonds” under the Programme, the relevant Issuer may request a provider of second-party opinions to issue a Green Bond second party opinion or Sustainability-Linked Financing Framework Second-party Opinion (as defined in the Risk Factor: “*Sustainability-Linked Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics*”) (as applicable). In addition, in connection with the issue of Sustainability-Linked Notes under the Programme, the relevant Issuer will engage an External Verifier (as defined in Condition 5(c)) to carry out the relevant assessments required for the purposes of providing an Assurance Report in relation to the Sustainability-Linked Notes pursuant to Condition 17A (*Available Information*). Each such Sustainability-Linked Financing Framework Second-party Opinion or Assurance Report will be accessible through SSE’s website at: <https://www.sse.com/sustainability>. However any information on, or accessible through, SSE’s website and the information in such opinions or reports or any past or future Assurance Report or Sustainability-Linked Financing Framework Second-party Opinion is not part of this Prospectus and should not be relied upon in connection with making any investment decision with respect to any Notes to be issued under the Programme. In addition, no assurance or representation is given by the Issuers, any other member of the SSE Group, the Dealers, second party opinion providers or the External Verifier (as defined in Condition 5(c)) as to the suitability or reliability for any purpose whatsoever of any opinion, report or certification of any third party in connection with the offering of any Sustainability-Linked Notes or Green Bonds under the Programme. Any such opinion, report or certification and any other document related thereto is not, nor shall it be deemed to be, incorporated in and/or form part of this Prospectus.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the relevant Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;*
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;*

- (iii) *have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;*
- (iv) *understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and*
- (v) *be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.*

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Certain alternative performance measures ("APMs") as described in the European Securities and Markets Authority Guidelines on Alternative Performance Measures (the "ESMA Guidelines") published on 5 October 2015 by the European Securities and Markets Authority and which came into force on 3 July 2016 are included or referred to in this Prospectus. APMs are not defined in accordance with IFRS accounting standards and are/non-GAAP measures used by the SSE Group within its financial publications to supplement disclosures prepared in accordance with other regulations. The SSE Group considers that these measures provide useful information to enhance the understanding of financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. An explanation of each such APM's components and calculation method can be found at pages 52 to 58 (incorporated by reference herein) of SSE's Interim Results, at pages 172 to 178 of SSE's 2021 Annual Report and at pages 164 to 170 (incorporated by reference herein) of SSE's 2020 Annual Report.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "euro", "Euro" and "€" are to the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community as amended, references to "£", "Sterling", "pounds" and "pence" are to the lawful currency of the United Kingdom, references to "\$" and "U.S. dollars" are to the lawful currency of the United States of America and references to "¥", "yen" and "JPY" are to the lawful currency of Japan.

Singapore Securities and Futures Act Product Classification – *In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), unless otherwise specified before an offer of Notes, each Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

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DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents:

- (i) the audited consolidated financial statements of SSE for the financial years ended 31 March 2020, together with the independent audit report thereon and discussion around alternative performance measures (included on pages 171 to 239 and pages 285 to 299 and 164 to 170 respectively of the 2020 Annual Report of SSE) (<https://www.sse.com/media/jqcamklf/sse-32693-annual-report-2020-web-1.pdf>) and 2021 (included on pages 179 to 249 and pages 296 to 306 and 172 to 178 respectively of the 2021 Annual Report of SSE) (<https://www.sse.com/media/rwhbww02/sse-annual-report-2021.pdf>), respectively,
- (ii) the unaudited consolidated financial statements of SSE for the six months ended 30 September 2021, together with the independent audit report thereon and discussion around alternative performance measures (included on pages 59 to 99 and pages 103 and 52 to 58 respectively of the Interim Results of SSE for the six months to 30 September 2021) (<https://www.sse.com/media/wr3punmf/hy22-interim-statement-final.pdf>),
- (iii) the audited financial statements of SHEPD for the financial years ended 31 March 2020 (included on pages 23 to 56 of the 2020 Statutory Accounts of SHEPD) (<https://www.sse.com/media/qkndzlyd/shepd-plc-march-2020-financial-statements.pdf>) and 2021 (included on pages 24 to 51 of the 2021 Statutory Accounts of SHEPD) (<https://www.sse.com/media/y5bpsbb3/shepd-plc-2021-financial-statements-signed.pdf>), respectively,
- (iv) the audited financial statements of SSEN Transmission for the financial years ended 31 March 2020 (included on pages 23 to 56 of the 2020 Statutory Accounts) (<https://www.sse.com/media/gpqf2knh/shet-plc-march-2020-financial-statements.pdf>) and 2021 (included on pages 23 to 50 of the 2021 Statutory Accounts of SSEN Transmission) (<https://www.sse.com/media/ro3nad5u/shet-plc-2021-financial-statements-signed.pdf>), respectively,
- (v) the audited financial statements of SEPD for the financial years ended 31 March 2020 (included on pages 23 to 57 of the 2020 Statutory Accounts of SEPD) (<https://www.sse.com/media/4efjkiuw/sepd-plc-march-2020-financial-statements.pdf>) and 2021 (included on pages 24 to 51 of the 2021 Statutory Accounts of SEPD) (<https://www.sse.com/media/yjzj2ksw/sepd-plc-2021-financial-statements-signed.pdf>) and, respectively, together, in each case, with the audit report thereon,
- (vi) the section entitled “Terms and Conditions of the Notes” on pages 19 to 47 of the Prospectus dated 13 June 2008 relating to the Programme,
- (vii) the section entitled “Terms and Conditions of the Notes” on pages 22 to 59 of the Prospectus dated 31 July 2014 relating to the Programme,
- (viii) the section entitled “Terms and Conditions of the Notes” on pages 23 to 61 of the Prospectus dated 23 July 2015 relating to the Programme;
- (ix) the section entitled “Terms and Conditions of the Notes” on pages 26 to 65 of the Prospectus dated 25 August 2017 relating to the Programme;
- (x) the section entitled “Terms and Conditions of the Notes” on pages 32 to 74 of the Prospectus dated 23 August 2018 relating to the Programme;
- (xi) the section entitled “Terms and Conditions of the Notes” on pages 29 to 71 of the Prospectus dated 18 September 2019 relating to the Programme; and

- (xii) the section entitled “Terms and Conditions of the Notes” on pages 32 to 77 of the Prospectus dated 16 March 2021 relating to the Programme.

together, the “**Documents Incorporated by Reference**”).

The Documents Incorporated by Reference have been previously published or are published simultaneously with this Prospectus and have been approved by the Financial Conduct Authority. The Documents Incorporated by Reference shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any documents themselves incorporated by reference in the Documents Incorporated by Reference in this Prospectus shall not form part of this Prospectus. Where only certain parts of the documents referred to above are incorporated by reference in this Prospectus, the parts of the document which are not incorporated by reference are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus.

Websites included in the Prospectus are for information purposes only and do not form part of the Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the Issuer’s website at <https://www.sse.com/> or the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

SUPPLEMENTARY PROSPECTUS

If at any time an Issuer shall be required to prepare a supplementary prospectus pursuant to Article 23 of the UK Prospectus Regulation, such Issuer will prepare and make available a supplement to this Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplementary prospectus as required by the FCA and Article 23 of the UK Prospectus Regulation.

Each Issuer has given an undertaking to the Arranger and the Dealers that if at any time during the duration of the Programme there arises or is noted a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses and prospects of such Issuer and/or the rights attaching to the Notes to be issued by it, that Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of Notes to be issued by it.

RISK FACTORS

Any investment in the Notes issued under the Programme is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider the factors and risks associated with any investment in the Notes, the business of the Issuers and the industry in which they operate, together with all other information contained in this Prospectus including, in particular, the risk factors described below.

Each Issuer believes that the following factors are specific to itself and/or to the Notes and are material for taking an informed investment decision as these risks may affect, individually or collectively, their respective ability to fulfil their obligations under the Notes. All of these factors are contingencies which may or may not occur. If any of these risks occur, the business, financial condition and performance of the Issuers could suffer and the trading price and liquidity of the Notes could decline.

Each Issuer believes that the factors described below represent the material risks inherent in investing in the Notes, but the relevant Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuers do not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Each Issuer is a member of the SSE Group. although certain of the factors described below will not apply directly to all Issuers as individual entities, all factors will affect the SSE Group as a whole, and each Issuer may in turn be affected by matters affecting the SSE Group.

Capitalised terms used herein and not otherwise defined have the meaning given to them in the “Terms and Conditions of the Notes” (the “Conditions”).

Factors that may affect the relevant Issuer’s ability to fulfil its obligations under or in connection with the Notes

Risks related to the relevant Issuer’s business activities and industry

Coronavirus

The outbreak of COVID-19 (commonly referred to as coronavirus) in the UK and Ireland in March 2020 resulted in the Board undertaking an additional assessment of each of the principal risks. As with the SSE Group’s established process for the assessment of principal risks, this was an inclusive and iterative exercise delivering considered and objective outputs.

The overall conclusion of this additional assessment was that the human, social and economic impact of the coronavirus pandemic has increased the prevalence of a number of the material influencing factors detailed against each of SSE’s Group principal risks (see further in “*Description of the Issuer-Impact of coronavirus on the SSE Group*”). In turn, these material influencing factors may increase the likelihood of occurrence of the principal risks and may, in some cases, increase the materiality of their impact should they occur. For example, the dependence of critical national response activities on energy infrastructure has been highlighted during the coronavirus pandemic, with the SSE Group’s overriding priority being to ensure the safe and reliable supply of electricity and essential energy services at a local, regional and national level. At the same time, the social and economic impact of the coronavirus pandemic has emphasised the question of energy affordability, a matter that affects all parts of the energy sector, not just companies involved in direct supply to end customers.

The SSE Group has taken, and continues to prepare and take, precautions to address the potential impact of the coronavirus pandemic on its workforce and customers. However, there is no guarantee that SSE Group’s precautionary measures will be effective in all circumstances. The outbreak, or threatened outbreak, of any severe communicable disease such as coronavirus, and regulators’ and/or market fears about the same, may adversely affect the SSE Group’s operations, directly or through the SSE Group’s supply chain, which could have a material adverse effect on the SSE Group’s business, financial performance, operations and prospects.

The impact of the coronavirus pandemic on the wider economy may have adverse effects on a number of the SSE Group's business units, and these effects may be substantial in the context of one financial year but are expected to be temporary in duration and in many cases there are regulatory mechanisms in place to recover lost revenue in future years.

Commodity Price Risk, Energy Procurement Risk and Security of Supply

The SSE Group will be exposed to fluctuations in both the physical volume and price of key commodities, including electricity, gas and CO2 permits, oil and related foreign exchange values. A proportion of the SSE Group's profitability will be dependent on the successful management of these exposures. An ineffective trading strategy could lead to significant financial loss, loss of customers and increased political and regulatory scrutiny.

Starting from the beginning of the 2020/2021 financial year, SSE has generally sought to hedge its broad exposure to commodity price variation 12 months in advance of delivery, ensuring that trading positions cannot have a material impact on SSE Group earnings. Energy commodity-related risk itself will be managed within the SSE Group's business units, with Energy Portfolio Management ("EPM") becoming an operational and transactional function to ensure business units' requirements are met.

The markets for the key commodities are driven by global supply and demand, which is itself influenced by a number of complexities including global economic growth, weather associated seasonal fluctuations in demand, supply and generation capabilities, which might not be in line with historical trends and in turn may or may not be associated with climate change, both in the UK and globally, international and national agreements on climate change and generation technological advancement.

Further, global economic growth and geopolitical events such as Brexit or the implications of a potential second Scottish Referendum can have a significant impact on electricity and gas prices in the UK.

Global commodity prices make up a significant part of the energy cost to the customer. Increasing commodity prices affect the overall affordability of energy and can have an impact on demand and customers' ability to pay.

There is a risk that surplus commodity positions cannot be sold to the wholesale markets profitably and that any commodity short position cannot be covered at a cost that can be passed on to customers.

Significant price fluctuations and/or failure to secure key materials and/or maintain adequate supply chains and strategic alliances could have a material adverse effect on the SSE Group's business, financial performance, operations and prospects.

Energy Affordability

There is a risk that certain customers might be unable to meet the costs of providing energy or might have more limited access to energy services, which may give rise to negative political or regulatory intervention that could have an impact on the SSE Group's core regulated Networks and Renewables businesses. This risk is directly connected to political interventions and commodity price exposure. In the case of the regulated networks the price control mechanism allows network companies to adjust their tariffs in later years to recover, on a net present value neutral basis, shortfalls of allowed annual income in a wide range of circumstances.

Material influencing factors in respect of this risk include macro-economic impacts on household and business incomes, fluctuations in the cost of fuels, supplier and customer failures and related bad debt, and political interventions like renationalisation of any part of the UK's energy infrastructure. These material influencing factors may all be impacted in some way by the current global coronavirus pandemic.

The relatively high and volatile gas and power market prices seen since September 2021 have had varying degrees of impact upon several of the SSE Group's businesses and customers. SSE's Business Energy and Airtricity businesses are not subject to a regulated price cap and therefore variable tariffs are adjusted dynamically and fixed tariff rates are reset for new acquisitions as wholesale costs increase or decrease. Although the businesses are insulated against gas price rises insofar as they are fully hedged, there are external circumstances that would result in hedge adjustments such as weather, supplier failures and post-coronavirus economic impacts.

Recently, high energy prices, market volatility and a number of retail energy suppliers entering into insolvency processes have resulted in a significant increase in the collateral requirements required to allow Energy Portfolio Management to continue to trade with counterparties and on exchanges as required. At the date of this Prospectus, the SSE Group has managed increased collateral requirements by issuing new Letters of Credit, Guarantees and Performance Bonds with no significant cash amounts required but there can be no assurance that collateral requirements will not increase further or require available cash.

As the SSE Group's customer base is in the UK and Ireland, it will be significantly exposed to the condition of the UK and Irish economies. In particular, factors such as UK or Irish house prices, levels of employment, interest rates and change in customers' income can each have a material impact on the SSE Group and its customer base. Should macro-economic conditions in the UK, Ireland or elsewhere deteriorate (including as a result of epidemics or pandemics or the fear of such crises) or should there be uncertainty and/or volatility in relation to these factors, this could have a material adverse effect on the SSE Group's business, results of operations, financial condition and prospects.

Failure to deliver energy at an affordable price to customers could have a material adverse effect on the SSE Group's business, reputation, financial performance and prospects.

Energy Infrastructure Failure

The SSE Group's electricity networks, generating plant and gas storage facilities are part of the UK's critical infrastructure assets and as such are central to the functioning of the economy. Additionally, the SSE Group is reliant on a number of key IT systems to support its ongoing operations. A loss of these systems could be caused by severe weather conditions, malicious cyber-attack, software or hardware issues, inadequate investment in maintenance or by poor operational performance. Any failure in these systems could result in lost revenues and may lead to supply interruptions, adverse publicity, regulatory action or damage to the reputation of the SSE Group.

Potential factors that could influence the risk to the SSE Group-owned energy networks include Government policy regarding the operation of the energy network which relates to security of supply, including the renationalisation of any part of the energy network and the uncertainty surrounding the Brexit deal and how this may impact continued access to the European energy markets and continued inclusion of Northern Ireland in the all-island Single Electricity Market.

Speed of Change

The risk that the SSE Group is unable to keep pace with the speed of change affecting the sector and markets in which it operates and so fails to meet the evolving expectations of its stakeholders or achieve its strategic objectives. The key factors that influence this risk include:

- Climate change and net zero strategic goals;
- Fast developing customer needs in relation to efficient, innovative and flexible products and services;
- Political developments and Government policy, particularly around climate change;
- Technological developments and innovation;
- Increased competition from market entrants including international oil companies;
- Longer term capital investment plans and budgets;
- Geopolitical events; and
- Governance and decision-making frameworks within the SSE Group.

The SSE Group's strategic focus is to be a leading energy company in a low-carbon world, by creating value for shareholders and society from developing, operating and owning energy and related infrastructure in a sustainable

way. The SSE Group has implemented a series of changes to give added focus to the core and complementary businesses that drive delivery of its strategy, and to improve visibility of the clean, low-carbon assets that shareholders want to invest in. A new Group operating model reflects the fact that the majority of the SSE Group's operating profit is derived from regulated electricity networks and renewable sources of energy. It is vital that the SSE Group successfully delivers these to meet the current and future needs of customers in the most efficient way possible. Failure to do so and to identify step changes in the industry sectors and react appropriately could adversely affect the SSE Group's financial position, market position or reputation.

Political and Legal Risk

The markets in which the SSE Group operates are subject to a high degree of political and legislative intervention at both domestic and European Union ("EU") level. This legal and compliance framework, which can change explicitly with the introduction of new or revised legislation or implicitly due to evolving interpretation and legal precedent, could adversely impact the SSE Group's market position, financial position or competitiveness despite the SSE Group's appeal rights over legal and policy changes.

The SSE Group has substantial operations in the UK and is therefore exposed to macro-economic conditions in the UK. These conditions may be affected by a variety of domestic and international factors, including the economic impact of the coronavirus pandemic, the cost of energy, the UK's relationship with the EU and the future of the EU itself.

The impact of the coronavirus pandemic on the UK economy has created significant challenges for the Government including unprecedented demands on public finances and inflationary pressures impacting the cost of living. This economic backdrop may present challenges and opportunities in the political landscape as the Government looks to respond to these macro-economic developments. It may also create opportunities where the Government might use investment in energy infrastructure as a direct economic stimulus or as a way of stimulating wider economic activity, such as the Green Recovery Scheme launched by OFGEM (as defined below) in 2021.

In addition, the Scottish Government has announced plans to legislate for an independence referendum before the end of 2023, coronavirus pandemic permitting, while opinion polling in Scotland continues to show a narrow split between support for Scottish independence and continued membership of the UK. It is still unclear whether any such referendum will ultimately occur, what the outcome might be should it occur, and if a referendum occurred and Scotland voted to leave the UK, what Scotland's future relationship with the rest of the UK and the EU would be. The consequences of any potential future referendum on the SSE Group's businesses are therefore uncertain.

Regulatory Risk

Licensing regime

The electricity and gas distribution and electricity transmission networks operations, the electricity generation operations and the gas and electricity supply operations of the SSE Group are subject to regulation and licensing requirements overseen by the Office of Gas and Electricity Markets ("**OFGEM**"), which is governed by the Gas and Electricity Markets Authority (the "**Authority**"). In addition, the electricity and gas distribution networks, as well as electricity transmission, are subject to direct price regulation by the Authority.

Decisions regarding, for example, the levels of permitted revenues, licence renewals, modifications to the terms and conditions of licences in issue, and constraints on business development opportunities which may be taken by the Authority may all potentially adversely impact the operations and financial position of the SSE Group. Permitted revenues under the price controls are set for an eight or five year period to provide certainty of funding for business planning. In Electricity Transmission, SSE's current price control runs until April 2026 and in Electricity Distribution, the price control runs until March 2023. SSE has submitted its business plan for the next electricity distribution price control period which will run from April 2023 to March 2028.

When setting network price controls, OFGEM must have regard to the need of licence holders to finance their obligations under the licence. However, failure to operate the networks properly could lead to compensation

payments or penalties, as could any failure to make capital expenditure in line with agreed programmes that in turn leads to deterioration of the networks.

In particular, there can be no assurance that future networks' price controls will permit the generation of sufficient revenues to enable the Issuers to meet its payment obligations under the Notes, and there can also be no assurance that net operating revenues generated by the SSE Group will be sufficient to enable the Issuers to meet such payment obligations.

Enforcement Framework

The electricity and gas distribution and electricity transmission networks operations, the electricity generation operations and the gas and electricity supply operations of the SSE Group can be subject to enforcement action from OFGEM if they fail to meet licence conditions.

OFGEM completed a review of its enforcement policies in 2014 and its enforcement guidelines were subsequently amended in September 2016 and October 2017. Upon completion of its review, OFGEM introduced bodies including an Enforcement Oversight Board, Settlement Committees and an independent Enforcement Decision Panel to make decisions in contested and settlement enforcement cases on behalf of the Authority. Decisions have been made by these bodies regarding breaches of obligations and Competition Law, the use of the Authority's enforcement powers, whether or not to commence a criminal prosecution and the imposition of penalties or consumer redress packages. In 2018 the Enforcement Decision Panel's terms of reference were widened to include the exercise of powers to confirm or revoke orders in relation to licence breaches. OFGEM consulted on further updates to its enforcement and penalties regime with a decision on any changes expected early in 2022.

OFGEM's primary objective via its enforcement framework is a culture where businesses act in line with their obligations through ensuring that any financial benefits of non-compliance are outweighed by the financial penalties issued and reputational damage imposed through enforcement action. Where compliance breaches have occurred, OFGEM would deliver credible deterrence for companies with visible and meaningful consequences where they do not comply.

However, OFGEM has also publicised the value of companies adopting a self-reporting approach, coupled with swift action to put things right, which can and has resulted in OFGEM seeking to resolve the matter via alternative action rather than opening an enforcement investigation. OFGEM can also require companies to make a redress payment to charity in lieu of, or in addition to, a traditional penalty payment. In practice this is agreed through negotiated settlement, although the Authority has powers to, where it is appropriate, make a customer redress order should redress not be agreed in enforcement cases. In 2021 OFGEM imposed £0.1 million in fines and £46.7 million of redress payments from licensees. With regard to breaches of the Regulation on Energy Market Integrity and Transparency, one payment to the redress fund (£6 million) was made by ESB Independent Generation Trading Limited and Carrington Power Limited for misleading dynamic parameters. In June 2021 the allocation of redress guidance document was updated to allow up to 15 per cent. of overall funds to be allocated towards products and services that tackle decarbonisation. In September 2021 the Authority reappointed the Energy Saving Trust as its independent third-party redress administrator which is tasked with allocating, managing and monitoring voluntary redress payments.

The Northern Irish Utility Regulator was also active in terms of enforcement activity during 2020. SSE Airtricity committed to a series of external audits and voluntary contributions to local charities (as a result of alternative resolution undertakings given in 2019), in line with the aim to ensure that compliance is a core priority of the business. In addition, the Utility Regulator has utilised its enforcement powers against other suppliers in the market recently. For the SSE Group, given that the core aspects of the alternative resolution procedures were completed in 2020, the associated risk of enforcement related activity is considered neutral for 2022. The size of the Northern Irish market relative to Great Britain ("GB") is far smaller and this should also be borne in mind when considering the potential impact on the SSE Group given the relative size of the SSE Airtricity business.

Any failure by any holder of a licence within the SSE Group to comply with the terms of its licence or other legal and regulatory obligations may lead to the taking of an enforcement action that could have a material adverse impact on each Issuer and/or the SSE Group's reputation and financial position as well as the increased risk of regulatory scrutiny by OFGEM or other regulators.

Health and Safety Risks

Although safety is one of the SSE Group's core values, by the nature of its operations, the SSE Group faces a number of significant safety risks, in particular relating to process safety. A major incident at one of SSE's hydro, thermal or gas storage assets could have a material adverse impact on the SSE Group's employees, contractors, reputation and financial position, and on members of the public, the environment and property.

SSE's Business Continuity Framework has been used to manage the SSE Group's response to the coronavirus pandemic, and as a result the SSE Group has managed to continue to fulfil its current priority of supporting the safe and reliable supply of electricity at a local, regional and national level. Additionally, in order to protect those supplying a critical service and to reflect government guidance, measures are in place to protect key personnel on the SSE Group sites where work must continue in order to support the supply of electricity, while non-critical work has been suspended to enable as many employees as possible to remain in their homes.

The SSE Group has crisis management and business continuity plans in place, which are designed for the management of, and recovery from, significant safety or environmental events. This includes regular engagement across all aspects of the operation, with an emphasis on safety and technical assurance audits and verification using both internal and third party resources.

Failure to implement and maintain effective health and safety management and governance could generate significant human and financial costs, as well as reputational damage, as a result of injury to people, work-related ill health and potential disruption of service to the SSE Group's customers. It can also lead to claims for employee and third party compensation; fines or other sanctions for breaches of statutory requirements; criminal sanctions initiated against the SSE Group, its directors and employees; and/or increased employee absence and reduced performance levels.

Environmental, social and governance risks

Climate Change

There is a risk that the SSE Group's strategy, investments or operations are deemed to have an unacceptable future impact on the natural environment and on national and international targets to tackle climate change.

The SSE Group's businesses are increasingly influenced by global climate change. Not adhering to current or future EU and UK legislation aimed at addressing climate change, including amendments to the current carbon emission allowance regime or renewable obligation certificate regime in the UK, could adversely impact the SSE Group's operations or commercial position. Climate change induced changes to the environment, such as increased frequency of extreme weather, may pose operational challenges. Failure to respond adequately to the risks posed by climate change may represent added reputational risk.

The SSE Group's activities are subject to a broad range of environmental laws and regulations, many of which require advance approval in the form of permits, licences or other forms of formal authorisation. Failure to secure and adhere to the terms of all such necessary requirements, or indeed damage to the environment caused by the SSE Group's business activities, could result in legal proceedings or other measures being taken against members of the SSE Group.

Changes in temperature can affect demand for power and gas and consequently impact the price of these commodities and the number of units distributed. Additionally, rainfall and/or snow melt conditions impact on hydroelectric generation output, and wind conditions impact on wind generation output. Also, the interconnected nature of international commodity markets and energy systems, particularly between Ireland, the UK and the rest of

Europe adds complexity to the impact of weather on energy prices and the SSE Group's earnings. Extreme weather conditions may also result in network damage, which in turn is likely to result in disruption to electricity supply.

All of the above have the potential to adversely affect the SSE Group's earnings, whilst supply interruptions could result in adverse publicity, negative customer perception and possible regulatory action.

People and Culture

The SSE Group is reliant on the employment of an appropriately skilled, diverse and responsible workforce and leadership team, and maintaining a healthy business culture which encourages and supports ethical behaviour and decision-making. While the SSE Group undertakes a number of activities to ensure that it attracts and retains the right level of staff, failure to attract or retain staff with the appropriate technical skills or leadership skills to maintain and manage the various operational assets of the SSE Group could adversely affect the SSE Group's operations and financial performance.

During the coronavirus pandemic, the SSE Group has carefully tracked the direct impact of the virus on its workforce and has taken steps to help protect and support them. It has introduced measures and provided guidance on a wide range of issues that impact its employees during this period, including protective measures for those critical workers that cannot work from home, redeploying those that cannot carry out their jobs at this time to other areas of the business, helping those with caring responsibilities, and allowing time off work to support both local and national volunteering efforts. However, there is no guarantee that SSE Group's precautionary measures will be effective in all circumstances.

Cyber Security and Resilience

The SSE Group is at risk that key infrastructure, networks or core systems are compromised or are otherwise rendered unavailable, due to software or hardware issues, including telecoms network and connectivity and power supplies, malicious cyber-attack, breach of information security rules, poor management of resilience expertise, employee and contractor understanding and awareness of information security requirements.

Due to advances in the sophistication and prevalence of cyber-attacks and fast-paced technological advancements, computing capabilities and other developments, there can be no certainty that the SSE Group's security measures will be sufficient to prevent breaches. Breaches could result in legal liability, negative publicity and/or regulatory action against the SSE Group, any of which could have a material adverse effect on its business, financial performance, results of operations and prospects.

Risks relating to the relevant Issuer's financial position

Financial and Pension Fund Risks

The SSE Group is exposed to a variety of financial risks, including interest rate, foreign exchange, counterparty credit, liquidity and taxation. Although these risks are, wherever possible, monitored, reported on and managed within a strict framework of controls and procedures, adverse market, political or legislative developments or a failure to meet the SSE Group funding requirements and obligations could have a material adverse effect on the SSE Group's financial position.

The SSE Group has obligations in respect of two defined benefit pension schemes (the Scottish Hydro-Electric Pension Scheme (the "SHEPS") and the Southern Electric Pension Scheme (the "SEPS"), together the "Pension Schemes") and currently, in aggregate, there is a net accounting surplus across the Pension Schemes, with a net pension scheme asset value of £438.0 million at 30 September 2021. As at 30 September 2021, the deficit for SEPS reduced by £122.4m mainly due to scheme assets outperforming the discount rate, which resulted in a net gain on scheme assets of £111.6m. Movements in scheme liabilities due to changes in financial assumptions and experience adjustments were offset by contributions in the period. The SHEPS has insured against volatility in its deferred and pensioner members through the purchase of 'buy-in' contracts meaning that the Group only retains exposure to volatility in active employees. During the year the SHEPS surplus decreased by £41.4m, due to changes in financial assumptions and experience adjustments. The scheme remains on a contribution holiday, following

finalisation of the triennial valuation during the period. Both Pension Schemes have increased hedging against interest rate and inflation impacts on liability valuations, and for the SHEPS, longevity risk on pensioner liabilities have been hedged. The deficit or surplus level (as relevant) in the Pension Schemes can be affected by a number of factors including asset volatility, changes in bond yields, fluctuations in interest rates, inflation, and changes in the life expectancy of scheme members.

Each of the Pension Schemes has investment advisors in place who have developed road-maps with the intention of the Pension Schemes becoming fully funded within 6 years. The SHEPS is fully funded on a gilts basis and does not currently require any funding from SSE, and the SEPS has an agreed funding plan in place with the aim of achieving full funding by 2028. While adverse changes in the valuation of assets and / or liabilities in the Pension Schemes may occur due to both market movements and changes in the assumptions used to calculate the funding levels of such schemes, and these adverse changes may result in the SSE Group being required to make higher ongoing contributions and / or make deficit repair payments which could be material, it is important to note that the funding plans and de-risking and hedging strategies have helped limit such volatility in funding.

Large Capital Projects and Joint Venture Partnership Management

The SSE Group continues to deliver its capital investment programme, with a number of major construction and IT projects in development. It is critical that these projects are delivered on time and on budget, supported by its Large Capital Projects Governance Framework. In addition, the SSE Group needs to ensure that projects are built to a high quality standard as they generally have an economic life of between 15 and 30 years and in many cases longer.

The SSE Group will typically manage the development process and organise the delivery of the project by third party contractors, taking a proactive oversight role during the construction phase. Whilst this model ensures that the correct skills are leveraged, the SSE Group has experienced supplier failures in the past, most notably in terms of quality control. Whilst contractual warranties will cover the faulty components, there is often a significant unrecoverable cost associated with these events in addition to potential impacts to the service the SSE Group can provide to customers. Added to this, any quality defects may not show up until sometime after the construction of an asset, resulting in an expensive and disruptive process of recovery.

Increasingly a number of major projects are being constructed as part of a joint venture (operated and non-operated) both in the UK and Ireland and potentially in the future in other carefully selected geographic locations. The SSE Group must ensure that joint venture structures, governance and operations are robust in order to protect the investment made

Any delay, unrecoverable costs and/or quality defects in relation to such projects or mismanagement of joint ventures could adversely affect the SSE Group's financial position, market position or reputation.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Risks related to the structure of a particular issue of Notes

Notes subject to optional redemption by an Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

With respect to the Clean-up Call Option by the Issuer (Condition 6(h)), there is no obligation on the Issuer to inform investors if and when the 80 per cent. threshold of the initial aggregate principal amount of a particular Series of Notes has been reached or is about to be reached, and the Issuer's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the Clean-up Call Option, the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

RPI Linked Notes

The relevant Issuer may issue Notes with principal or interest determined by reference to the UK General Index of Retail Prices (for all items) as published by the Office for National Statistics (the "RPI"). Potential investors should be aware that: (i) the market price of such Notes may be volatile; (ii) they may receive no interest; (iii) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero; (iv) the RPI may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and (v) the timing of changes in the RPI may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the RPI, the greater the effect on yield. The historical experience of the RPI should not be viewed as an indication of the future performance during the term of any RPI Linked Notes. Accordingly, prospective investors should consult their own financial and legal advisers about the risks entailed by an investment in any RPI Linked Notes and the suitability of such Notes in light of their particular circumstances.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Reference rates and indices, including interest rate benchmarks, such as EURIBOR, which are used to determine the amounts payable under financial instruments or the value of such financial instruments, have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing "benchmarks", with further changes anticipated. These reforms and changes may cause a "benchmark" to perform differently than it has done in the past or to be discontinued. Any change in the performance of a "benchmark" or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such "benchmark". Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (the "**EU Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and applied from 1 January 2018. The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK Benchmarks Regulation**"), among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. It prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the UK FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a “benchmark”, in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the “benchmark”.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of “benchmarks”, could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the following effects on certain “benchmarks”: (i) discourage market participants from continuing to administer or contribute to the “benchmark”; (ii) trigger changes in the rules or methodologies used in the “benchmark” or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a “benchmark”.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a “benchmark”.

Future changes or uncertainty with respect to EURIBOR and/or other relevant benchmarks may adversely affect the value of Floating Rate Notes which reference EURIBOR and/or other relevant benchmarks.

Investors should be aware that, if EURIBOR or any other benchmark were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference EURIBOR or such other benchmark will be determined for the relevant period by the fall back provisions applicable to such Notes.

The Terms and Conditions set out in this Prospectus provide for certain fallback arrangements for Floating Rate Notes in the event that a published benchmark, including an inter-bank offered rate such as EURIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable or a Benchmark Event otherwise occurs as further set out below under *Floating Rate Notes – Benchmark Discontinuation*. Any such consequences could have a material adverse effect on the trading market for, liquidity of, value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

The market continues to develop in relation to risk-free rates (including SONIA) as reference rates for floating rate Notes

Nascent risk-free rates and market

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets for sterling bonds and its adoption as an alternative to the London Interbank Offered Rate.

SONIA is recently reformed. Therefore, this risk-free rate has a limited performance history and the future performance of this risk-free rate is impossible to predict. As a consequence, no future performance of this risk-free rate or Notes referencing this risk-free rate may be inferred from any of the hypothetical or actual historical performance data. In addition, investors should be aware that this risk-free rate may behave materially differently to interbank offered rates as interest reference rates.

Calculation of Interest

Interest is calculated on the basis of the compounded risk-free rate. For this and other reasons, the interest rate on the notes during any Interest Accrual Period will not be the same as the interest rate on other investments linked to the risk-free rate that use an alternative basis to determine the applicable interest rate.

In addition, market conventions for calculating the interest rate for bonds referencing risk-free rates continue to develop and market participants and relevant working groups are exploring alternative reference rates based on risk-free rates. For example, on 3 August 2020, the Bank of England, as the administrator of SONIA, began publishing the SONIA Compounded Index. Accordingly, the specific formula for calculating the rate used in the Notes issued under this Prospectus may not be widely adopted by other market participants, if at all. The Issuer may in the future also issue Notes referencing risk-free rates that differ materially in terms of interest determination when compared with any previous Notes referencing risk-free rate rates issued by it. If the market adopts a different calculation method, that could adversely affect the market value of Notes issued pursuant to this Prospectus.

Interest on Notes which reference a risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference risk-free rates to reliably estimate the amount of interest which will be payable on such Notes. Furthermore, if the Notes become due and payable under Condition 11, or are otherwise redeemed early on a date which is not an Interest Payment Date, the Rate of Interest payable shall be determined on the date the Notes became due and payable and shall not be reset thereafter.

Risk-free rates are published and calculated by third parties based on data received from other sources and the Issuer has no control over their respective determinations, calculations or publications. There can be no guarantee that SONIA or the SONIA Compounded Index will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Notes linked to or which reference this risk-free rate (or that any applicable benchmark fallback provisions provided for in the Terms and Conditions of the Notes will provide a rate which is economically equivalent for Noteholders). The Bank of England does not have an obligation to consider the interests of Noteholders in calculating, adjusting, converting, revising or discontinuing SONIA or the SONIA Compounded Index. If the manner in which this risk-free rate is calculated is changed, that change may result in a reduction of the amount of interest payable on such Notes and the trading prices of such Notes.

Market Adoption

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Terms and Conditions and used in relation to Notes that reference a risk-free rate issued under this Prospectus. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of any Notes. SONIA (and other risk-free rates) differ from inter-bank offered rates such as EURIBOR for example in a number of material respects, including that SONIA (and other risk-free rates) are backwards-looking, compounded, risk-free overnight rates, whereas inter-bank offered rates such as EURIBOR are expressed on the basis of a forward-looking term and include a risk-element based on inter-bank lending. As such, investors should be aware that risk-free rates and inter-bank offered rates may behave materially differently as interest reference rates across the Issuers' various financing arrangements leading to differing interest calculations.

Floating Rate Notes – Benchmark Discontinuation

(i) *Temporary unavailability of the Relevant Screen Page*

Where Screen Rate Determination is specified as the manner in which the Rate of Interest (as defined in Condition 5(j)) in respect of Floating Rate Notes is to be determined, the Terms and Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (as defined in Condition 5(j)) (or its successor or replacement). In circumstances where such Original Reference Rate (as defined in Condition 5(l)(vii)) is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Terms and Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date (as defined in Condition 5(j)) before the Original Reference Rate was discontinued. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

(ii) *Benchmark Events*

Benchmark Events (as defined in Condition 5(l)(vii)) include (amongst other events) the permanent discontinuation of an Original Reference Rate. If a Benchmark Event occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, at the Issuer's own expense (as defined in Condition 5(l)(vii)). After consulting with the Independent Adviser, the Issuer shall endeavour to determine a Successor Rate or, failing which, an Alternative Rate (each as defined in Condition 5(l)(vii)) to be used in place of the Original Reference Rate.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Issuer, the Terms and Conditions provide that the Issuer may vary the Terms and Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the Issuer, the Conditions also provide that an Adjustment Spread may be determined by the Issuer and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Noteholders and Couponholders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. In determining a Successor Rate or Alternative Rate and Adjustment Spread (if applicable) the Issuer may be entitled to exercise discretion and may be subject to conflicts of interest in exercising this discretion.

The use of any Successor Rate or Alternative Rate to determine the Rate of Interest and the application of an Adjustment Spread (if applicable) may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

(iii) *Potential for a fixed rate return*

The Issuer may be unable to appoint an Independent Adviser or the Issuer may not be able to determine a Successor Rate or Alternative Rate in accordance with the Terms and Conditions of the Notes.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or is unable to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period (as defined in Condition 5(j)) will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer is unable to appoint an Independent Adviser or has been unable to determine a Successor Rate or Alternative Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Rate to apply to the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, is likely to result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser or, fails to determine a Successor Rate or Alternative Rate for the life of the relevant Notes, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This risks the Floating Rate Notes, in effect, becoming fixed rate Notes.

Investors should consider these matters with respect to Floating Rate Notes and consult their own independent advisers and make their own assessment about the potential risks imposed by benchmark regulation reforms when making their investment decision with respect to such Notes.

(iv) ISDA Determination

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Terms and Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an “IBOR” Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may adversely affect the value of, and return on, the relevant Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the BMR or any other international reforms, particularly in the United Kingdom, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

In respect of any Notes issued with a specific use of proceeds, such as a Green Bond, there can be no assurance that such use of proceeds will be suitable for the specific investment criteria of an investor

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer’s intention to apply an amount equal to the net proceeds of the Issue of those Notes to Eligible Green Projects (as defined in “*Use of Proceeds*” and further described in SSE’s Green Bond Framework (as amended and supplemented from time to time) (the “**Green Bond Framework**”). Prospective investors should have regard to the information set out in the

relevant Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular, no assurance is given by SSE that the use of such proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or “sustainable” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green” or “sustainable” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations regarding such “green”, “sustainable” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects.

A basis for the determination of the definitions of “green”, “sustainable” and “sustainability-linked” has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the “**Sustainable Finance Taxonomy Regulation**”) on the establishment of a framework to facilitate sustainable investment (the “**EU Sustainable Finance Taxonomy**”). The EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the Sustainable Finance Taxonomy Regulation. A first delegated act on sustainable activities for climate change adaptation and mitigation objectives was approved in principle by the European Commission on 21 April 2021 and was formally adopted on 4 June 2021 for scrutiny by the co-legislators. A second delegated regulation for the remaining objectives is intended to be published in 2022. Until the technical screening criteria for such objectives have been developed it is not known whether the Issuer’s Eligible Green Projects will satisfy those criteria. Accordingly, alignment with the EU Sustainable Finance Taxonomy, once the technical screening criteria are established, is not certain.

No assurance or representation by the Issuers, the Dealers or any other person is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by SSE) which may be made available in connection with the issue of any Notes and, in particular, with any Eligible Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by SSE or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated “green”, “environmental”, “sustainable” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), or are included in any dedicated “green”, “environmental”, “sustainable” or other equivalently-labelled index or indices, no representation or assurance is given by SSE, the Dealers or any other person that such listing or admission, or inclusion in such index or indices, satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or

indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another and also the criteria for inclusion in such index or indices may vary from one index to another. Nor is any representation or assurance given or made by SSE or any other person that any such listing or admission to trading, or inclusion in any such index or indices, will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading, or inclusion in such index or indices, will be maintained during the life of the Notes.

While it is the intention of SSE to apply the proceeds of any Notes so specified for Eligible Green Projects in, or substantially in, the manner described in the relevant Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Green Projects will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Green Projects. Nor is any Dealer responsible for (i) any assessment of the Green Bonds, or (ii) the monitoring of the use of proceeds. Investors should refer to SSE's website and its Green Bond Framework for further information. Nor can there be any assurance that such Eligible Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by SSE. Any such event or failure by SSE will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any Eligible Green Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that SSE is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance or refinance Eligible Green Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Sustainability-Linked Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics

In March 2021, SSE adopted a framework relating to its sustainability strategy and targets to foster the best market practices and present a unified and coherent suite of sustainability-linked bonds (the “**Sustainability-Linked Bond Framework**”), in accordance with the Sustainability-Linked Bonds Principles (the “**SLBP**”) administered by the International Capital Markets Association (“**ICMA**”). The Sustainability-Linked Bond Framework was reviewed by DNV GL which provided an independent assessment second party opinion on the relevance and scope of the selected key performance indicators (“**KPI(s)**”) and the associated sustainability performance targets (“**SPTs**”) and also confirmed the alignment with the SLBP and the stated definition of sustainability-linked bonds within the SLBP, which is to “incentivise the issuer’s achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified environmental, social and governance (“**ESG**”) objectives through KPIs and SPTs”, thereby providing “an investment opportunity with transparent sustainability credentials” (“**Sustainability-Linked Financing Framework Second-party Opinion**”). A Sustainability-Linked Financing Framework Second-party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of Sustainability-Linked Notes issued under the Programme. A Sustainability-Linked Financing Framework Second-party Opinion would not constitute a recommendation to buy, sell or hold securities and would only be current as of the date it is released. A withdrawal of the Sustainability-Linked Financing Framework Second-party Opinion may affect the value of such Sustainability-Linked Notes and/or may have consequences for certain investors with portfolio mandates to invest in sustainability-linked assets. The Issuers do not assume any obligation or responsibility to release any update or revision to the Sustainability-Linked Bond Framework and/or information to reflect events or circumstances after the date of publication of such Sustainability-Linked Bond Framework and, therefore, an update or a revision of the Sustainability-Linked Financing Framework Second-party Opinion may or may not be requested of DNV GL or other providers of second-party opinions.

Moreover, the second party opinion providers and providers of similar opinions and certifications are not currently subject to any specific regulatory or other regime or oversight. Any such opinion or certification is not, nor should it be deemed to be, a recommendation by the Issuers, the Dealers, any second party opinion providers or any other person to buy, sell or hold Sustainability-Linked Notes. Noteholders have no recourse against the Issuers, any of the Dealers or the provider of any such opinion or certification in respect of the contents of any such opinion or certification, which is only current as at the date it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Sustainability-Linked Notes. Any withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining on or certifying on may have a material adverse effect on the value of the Sustainability-Linked Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Furthermore, although the interest rate relating to the Sustainability-Linked Notes is subject to upward adjustment in certain circumstances specified in the Conditions, such Sustainability-Linked Notes may not satisfy an investor's requirements or any future legal or quasi legal standards for investment in assets with sustainability characteristics. The Sustainability-Linked Notes described above are not being marketed as green bonds since the Issuer expects to use the relevant net proceeds for general corporate purposes and therefore the Issuers do not intend to allocate the net proceeds specifically to projects or business activities meeting environmental or sustainability criteria, or to be subject to any other limitations associated with green bonds.

If the Sustainability-Linked Financing Framework Second-party Opinion is withdrawn, there might be no third-party analysis of the Issuers' definitions of Absolute GHG Emissions Amount, Carbon Intensity (Electricity Generation) Amount or Renewable Energy Output (each as defined in Condition 5(c)) or how such definitions relate to any sustainability-related standards other than the relevant External Verifier's (as defined in Condition 5(c)) confirmation of the Absolute GHG Emissions Percentage or Carbon Intensity (Electricity Generation) percentage (each as defined in Condition 5(c)) of SSE and its subsidiaries as of 31 March.

However, even if the Sustainability-Linked Financing Framework Second-party Opinion is not withdrawn, as there is currently no clearly-defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes a "sustainable" or "sustainability-linked" or equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "sustainable" or "sustainability-linked" (and, in addition, the requirements of any such label may evolve from time to time), no assurance is or can be given to investors by the Issuers, the Dealers, any second party opinion providers or the External Verifier (as defined in Condition 5(c)) that the Sustainability-Linked Notes will meet any or all investor expectations regarding the Sustainability-Linked Notes or the SSE Group's targets qualifying as "sustainable" or "sustainability-linked" or that no other adverse consequences will occur in connection with any Issuer striving to achieve such targets.

Although the SSE Group targets (i) reducing its carbon intensity of electricity generated, (ii) increasing the proportion of its total installed capacity constituted by renewable sources, and (iii) decreasing its scope 1 and scope 2 green house gas emissions (together, the "Sustainability Targets"), there can be no assurance of the extent to which it will be successful in doing so or that any future investments it makes in furtherance of these targets will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact. Adverse environmental or social impacts may occur during the design, construction and operation of any investments the SSE Group makes in furtherance of its Sustainability Targets or such investments may become controversial or criticized by activist groups or other stakeholders. Lastly, no Event of Default shall occur under the Sustainability-Linked Notes, nor will the relevant Issuer be required to repurchase or redeem such Notes, if the relevant Issuer fails to meet the Sustainability Targets.

A portion of the SSE Group's indebtedness may include certain triggers linked to sustainability key performance indicators

A portion of the SSE Group's indebtedness may include certain triggers linked to sustainability key performance indicators such as the Sustainability targets (see "*Sustainability-Linked Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics*") which must be complied with by the SSE Group, and in respect of which a Step Up Option applies, if applicable in the relevant Final Terms. The failure to meet such sustainability key performance indicators will result in increased interest amounts payable under such Notes, which would increase the SSE Group's cost of funding and which could have a material adverse effect on the SSE Group, its business prospects, its financial condition or its results of operations.

Risks related to Notes generally

Modification, waivers and substitution

The Terms and Conditions of the Notes (the "**Conditions**") contain provisions for calling meetings (including by way of telephone or video conference) of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the relevant Issuer, in the circumstances described in Condition 12 of the Conditions.

Change of law

The Conditions are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Bearer Notes where denominations involve integral multiples

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations (as defined in the Conditions). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the more detailed information contained elsewhere in this Prospectus. Capitalised terms used herein and not otherwise defined have the respective meanings given to them in the “Terms and Conditions of the Notes” (the “Conditions”). This overview constitutes a general description of the Programme for the purposes of Delegated Regulation (EU) No 2019/980 as it forms part of domestic law of the UK by virtue of the EUWA.

Issuers:	SSE plc Scottish Hydro Electric Power Distribution plc Scottish Hydro Electric Transmission plc Southern Electric Power Distribution plc
Legal Entity Identifier (LEI):	SSE plc LEI: 549300KI75VYLLMSK856 Scottish Hydro Electric Power Distribution plc LEI: 549300OPROMBN0FGNC34 Scottish Hydro Electric Transmission plc LEI: 549300ECJZDA7203MK64 Southern Electric Power Distribution plc LEI: 549300SR1GYYNBZQGX56
Description:	Euro Medium Term Note Programme
Size:	Up to €10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	NatWest Markets Plc
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A. Banco Santander, S.A. Barclays Bank PLC BNP Paribas Lloyds Bank Corporate Markets plc Merrill Lynch International Morgan Stanley & Co. International plc MUFG Securities EMEA plc NatWest Markets Plc RBC Europe Limited
	The Issuers may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “ Permanent Dealers ” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “ Dealers ” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	BNY Mellon Corporate Trustee Services Limited
Issuing and Paying Agent, Transfer Agent and Calculation Agent:	The Bank of New York Mellon, London Branch

Registrar, Paying Agent and Transfer Agent:	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ Series ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “ Tranche ”) on the same or different issue dates. The specific terms of each Tranche will be completed in the final terms (the “ Final Terms ”).
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes may be issued in bearer form (“ Bearer Notes ”) or in registered form (“ Registered Notes ”) only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Overview of the Programme — Selling Restrictions” below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “ Global Certificates ”.
Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, if the relevant Global Note is a NGN, the Global Note will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN, the Global Note representing Bearer Notes or the Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all applicable legal and/or regulatory requirements, Notes may be issued in any currency agreed between the relevant Issuer and the relevant Dealers.

Maturities:	Any maturity, subject to compliance with all applicable and/or regulatory requirements.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount of such currency).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to EURIBOR or SONIA as adjusted for any applicable margin and subject to the Benchmark Discontinuation provisions set out in Condition 5(l).
Benchmark Discontinuation:	On the occurrence of a Benchmark Event, the Issuer may (subject to certain conditions and following consultation with an Independent Adviser) determine a Successor Rate, failing which an Alternative Rate and, if applicable, an Adjustment Spread, and any Benchmark Amendments in accordance with Condition 5(l). Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in “ <i>Terms and Conditions of the Notes</i> ”) may be issued at their nominal amount or at a discount to it and will not bear interest.
RPI Linked Notes:	Payments of principal in respect of RPI Linked Notes (as defined in “ <i>Terms and Conditions of the Notes</i> ”) or of interest in respect of RPI Linked Interest Notes will be calculated as specified in “ <i>Terms and Conditions of the Notes</i> ”.
Sustainability-Linked Notes:	Fixed Rate Notes and Floating Rate Notes issued by the relevant Issuer may be subject to a Step Up Option if the applicable Final Terms indicates that the Step Up Option is applicable. The Rate of Interest for Sustainability-Linked Notes will be the Initial Rate of Interest specified in the applicable Final Terms, provided that, for any Interest Period commencing on or after the Interest Payment Date immediately following a Step Up Event, if any, the Rate of Interest shall be increased by the Step Up Margin specified in the applicable Final Terms. For the avoidance of doubt, an increase in the Rate of Interest may occur no more than once in respect of the relevant Sustainability-Linked Note. See Condition 5(c).
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the

	<p>same interest period. All such information will be set out in the relevant Final Terms.</p>
Redemption:	<p>The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).</p>
Optional Redemption:	<p>The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.</p>
Status of Notes:	<p>The Notes will constitute unsubordinated and unsecured obligations of the relevant Issuer, all as described in “<i>Terms and Conditions of the Notes — Status</i>”.</p>
Negative Pledge:	<p>The Notes will contain a Negative Pledge, all as described in “<i>Terms and Conditions of the Notes — Negative Pledge</i>”.</p>
Cross Acceleration:	<p>The Notes will contain a Cross Acceleration, all as described in “<i>Terms and Conditions of the Notes — Events of Default</i>”.</p>
Ratings:	<p>Moody’s has rated the Programme ‘Baa1’ and S&P has rated the Programme ‘BBB+’. Moody’s and S&P are established in the UK and registered under the UK CRA Regulation.</p> <p>Tranches of Notes will be rated or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme.</p> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
Early Redemption:	<p>Except as provided in “— Optional Redemption” above, Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax reasons. See “<i>Terms and Conditions of the Notes — Redemption, Purchase and Options</i>”.</p>
Withholding Tax:	<p>All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the UK, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in “<i>Terms and Conditions of the Notes — Taxation</i>”.</p>
Governing Law:	<p>The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.</p>
Listing and Admission to Trading:	<p>Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on the Market and references to listing shall be construed accordingly.</p>
Selling Restrictions:	<p>The United States, the UK, Prohibition of Sales to EEA Retail</p>

Investors, Prohibition of Sales to UK Retail Investors, Belgium, Japan and Singapore. See “*Subscription and Sale*”.

Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.

Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”)) (the “**D Rules**”) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**C Rules**”) or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions (the “Conditions” and each a “Condition”) that, subject to completion in accordance with the provisions of Part A of the relevant final terms (the “Final Terms”), shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. The full text of these Conditions together with the relevant provisions of Part A of the Final Terms shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

SSE plc (“SSE”), Scottish Hydro Electric Power Distribution plc (“SHEPD”), Scottish Hydro Electric Transmission plc (“SSEN Transmission”) and Southern Electric Power Distribution plc (“SEPD”) (each an “Issuer” and together, the “Issuers”) have established a Euro Medium Term Note Programme (the “Programme”) for the issuance of notes (the “Notes”) in an aggregate principal amount outstanding at any time not exceeding the Programme Limit (as defined in the Trust Deed referred to below). The Notes are constituted by an Amended and Restated Trust Deed (as amended or supplemented as at the date of issue of the Notes (the “Issue Date”), the “Trust Deed”) dated 17 March 2022 between the Issuers and BNY Mellon Corporate Trustee Services Limited (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Amended and Restated Agency Agreement (as amended or supplemented as at the Issue Date, the “Agency Agreement”) dated 31 July 2014 has been entered into in relation to the Notes between the Issuers, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent and the other agent named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Issuing and Paying Agent”, the “Paying Agents” (which expression shall include the Issuing and Paying Agent), the “Registrar”, the “Transfer Agents” (which expression shall include the Registrar) and the “Calculation Agent(s)”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the “Coupons”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “Talons”) (the “Couponholders”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

As used in these Conditions, “Tranche” means, in relation to a series of Notes, those Notes which are identical in all respects.

Any reference in these Conditions to a matter being “shown hereon” or “specified hereon” means as the same may be specified in the relevant Final Terms.

1 FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form (“Bearer Notes”) or in registered form (“Registered Notes”) in each case in the Specified Denomination(s) shown hereon provided that the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a RPI Linked Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 EXCHANGES OF NOTES AND TRANSFERS OF REGISTERED NOTES

- (a) Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (c) Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer’s or Noteholder’s option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same

terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case maybe).
- (e) **Exchange Free of Charge:** Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 STATUS

The Notes and the Coupons relating to them constitute direct, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4 NEGATIVE PLEDGE

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Issuer will ensure that no Relevant Indebtedness of the Issuer or any Relevant Subsidiary or of any other person and no guarantee by the Issuer or any Relevant Subsidiary of any Relevant Indebtedness of any person will be secured by a mortgage, charge, lien, pledge or other security interest (each a “**Security Interest**”) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or any Relevant Subsidiary unless the Issuer shall, before or at the same time as the creation of such Security Interest, take any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured equally and rateably with the Relevant Indebtedness or guarantee, as the case may be, by the Security Interest to the satisfaction of the Trustee; or
- (b) such other Security Interest or guarantee or other arrangement (whether or not including the giving of a Security Interest) is provided in respect of all amounts payable by the Issuer under the Notes, the Coupons and the Trust Deed either (i) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (ii) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders,

save that the Issuer or any Relevant Subsidiary may create or have outstanding a Security Interest in respect of any Relevant Indebtedness and/or any guarantees given by the Issuer or any Relevant Subsidiary in respect of any Relevant Indebtedness of any person (without the obligation to provide a Security Interest or guarantee or other arrangement in respect of the Notes, the Coupons and the Trust Deed as aforesaid) where (1) such Relevant Indebtedness has an initial maturity of not less than 20 years and is of a maximum aggregate amount outstanding at any time not exceeding the greater of £250,000,000 and 20 per cent., of the Capital and Reserves or (2) such Security Interest is provided in respect of a company becoming a Subsidiary of the Issuer after the date on which agreement is reached to issue the first Tranche of the Notes and where such Security Interest existed at the time that company becomes a Subsidiary of the Issuer (provided that such Security Interest was not created in contemplation of that company becoming a Subsidiary of the Issuer and the nominal amount secured at the time of that company becoming a Subsidiary of the Issuer is not subsequently increased).

5 INTEREST AND OTHER CALCULATIONS

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g).
- (b) **Interest on Floating Rate Notes and RPI Linked Notes:**
 - (i) *Interest Payment Dates:* Each Floating Rate Note and RPI Linked Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
 - (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:
 - (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment,
 - (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day,

- (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or
 - (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to any of ISDA Determination, Screen Rate Determination and/or Linear Interpolation shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon
- (y) the Designated Maturity is a period specified hereon and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes referencing EURIBOR

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, and unless the Reference Rate in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms as being “SONIA”, the Rate of Interest for each Interest Accrual Period will, subject as provided below and subject to Condition 5(l), be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Brussels time) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (y) if the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
 - (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such rates were offered at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Euro-zone inter-bank market, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).
- (C) Screen Rate Determination for Floating Rate Notes referencing Compounded SONIA
- (x) SONIA Compounded Index Rate

Where (i) Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined and (ii) the Reference Rate is specified in the applicable Final Terms as being SONIA Compounded Index Rate, the Rate of Interest for each Interest Period will, subject to Condition 5(1), be the SONIA Compounded Index Rate as follows, plus or minus (as indicated in the applicable Final Terms) the Margin.

For the purposes of this Condition 5(b)(C)(x)

“**SONIA Compounded Index Rate**” means with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms) on the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards,

$$\left(\frac{\text{SONIA Compounded Index}_{END}}{\text{SONIA Compounded Index}_{START}} - 1 \right) \times \left(\frac{365}{d} \right)$$

provided, however, that and subject to Condition 5(1), if the SONIA Compounded Index Value is not available in relation to any Interest Period on the Relevant Screen Page for the determination of either or both of SONIA Compounded Index_{START} and SONIA Compounded Index_{END}, the Rate of Interest shall be calculated for such Interest Period on the basis of the SONIA Compounded Daily Reference Rate as set out in Condition 5(b)(iii)(C)(y) as if SONIA Compounded Daily Reference Rate with Observation Shift had been specified hereon and the “Relevant Screen Page” shall be deemed to be the “Relevant Fallback Screen Page” as specified hereon,

where:

“*d*” means the number of calendar days in the relevant Observation Period;

“**London Business Day**”, means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“**Observation Period**” means, in respect of an Interest Period, the period from (and including) the date falling “*p*” London Business Days prior to the first day of such Interest Period (and the first Observation Period shall begin on and include the date which is “*p*” London Business Days prior to the Issue Date) and ending on (but excluding) the date which is “*p*” London Business Days prior to the Interest Payment Date for such Interest Period (or the date falling “*p*” London Business Days prior to such earlier date, if any, on which the Notes become due and payable);

“*p*” means, for any Interest Period the whole number specified hereon (or, if no such number is so specified, five London Business Days) representing a number of London Business Days;

“**SONIA Compounded Index**” means the index known as the SONIA Compounded Index administered by the Bank of England (or any successor administrator thereof);

“**SONIA Compounded Index**_{START}” means, in respect of an Interest Period, the SONIA Compounded Index Value on the date falling “*p*” London Business Days prior to (i) the first day of such Interest Period, or (ii) in the case of the first Interest Period, the Issue Date;

“**SONIA Compounded Index_{END}**” means the SONIA Compounded Index Value on the date falling “p” London Business Days prior to (i) in respect of an Interest Period, the Interest Payment Date for such Interest Period, or (ii) if the Notes become due and payable prior to the end of an Interest Period, the date on which the Notes become so due and payable; and

“**SONIA Compounded Index Value**” means in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised distributors on the Relevant Screen Page on such London Business Day or, if the value of the SONIA Compounded Index cannot be obtained from such authorised distributors, as published on the Bank of England’s Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA Compounded Index) on such London Business Day.

(y) SONIA Compounded Daily Reference Rate

Where (i) Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined and (ii) the Reference Rate is specified in the applicable Final Terms as being SONIA Compounded Daily Reference Rate, the Rate of Interest for each Interest Period will, subject to Condition 5(1), be the SONIA Compounded Daily Reference Rate as follows, plus or minus (as indicated hereon) the Margin,

“**SONIA Compounded Daily Reference Rate**” means, in respect of an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest as specified in the applicable Final Terms) on the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards,

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{SONIA_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

“**London Business Day**”, “**Observation Period**” and “**p**” have the meanings set out under Condition 5(b)(iii)(C)(x);

“**d**” is the number of calendar days in the relevant:

- (i) Observation Period where Observation Shift is specified hereon; or
- (ii) Interest Period where Lag is specified hereon;

“**d₀**” is the number of London Business Days in the relevant:

- (i) Observation Period where Observation Shift is specified hereon; or
- (ii) Interest Period where Lag is specified hereon;

“ t ” is a series of whole numbers from one to d_o , each representing the relevant London Business Day in chronological order from, and including, the first London Business Day in the relevant:

- (i) Observation Period where Observation Shift is specified hereon; or
- (ii) Interest Period where Lag is specified hereon;

“ n_i ”, for any London Business Day “ t ”, means the number of calendar days from and including such London Business Day “ t ” up to but excluding the following London Business Day;

“**SONIA_t**” means, in relation to any London Business Day the SONIA reference rate in respect of:

- (i) that London Business Day “ t ” where Observation Shift is specified hereon; or
- (ii) the London Business Day (being a London Business Day falling in the relevant Observation Period) falling “ p ” London Business Days prior to the relevant London Business Day “ t ” where Lag is specified hereon; and

the “**SONIA reference rate**”, in respect of any London Business Day, is a reference rate equal to the daily Sterling Overnight Index Average (“**SONIA**”) rate for such London Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page on the next following London Business Day or, if the Relevant Screen Page is unavailable, as published by authorised distributors on such London Business Day or, if SONIA cannot be obtained from such authorised distributors, as published on the Bank of England’s Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA reference rate)

- (z) Subject to Condition 5(l), where SONIA is specified as the Reference Rate hereon and either (i) SONIA Compounded Daily Reference Rate is specified hereon, or (ii) the SONIA Compounded Index Rate is specified hereon and Condition 5(b)(iii)(C)(y) applies, if, in respect of any London Business Day, the SONIA reference rate is not available on the Relevant Screen Page or Relevant Fallback Screen Page as applicable, (or as otherwise provided in the relevant definition thereof), such Reference Rate shall be:

1. (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five days on which the SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or
2. if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof), and

in each case, SONIA_i shall be interpreted accordingly.

- (aa) If the Rate of Interest cannot be determined in accordance with the foregoing provisions, but without prejudice to Condition 5(l), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Accrual Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Accrual Period).

If the relevant Series of Notes become due and payable in accordance with Condition 11, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified hereon, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

(D) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the

Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources provided by the Issuer or an agent appointed at the time by the Issuer.

“**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

- (iv) *Rate of Interest for RPI Linked Notes*: The Rate of Interest in respect of RPI Linked Notes for each Interest Accrual Period shall be determined in the manner specified in Condition 7.

(c) Step Up Option:

This Condition 5(c) applies to Notes in respect of which the applicable Final Terms indicate that the Step Up Option is applicable (“**Sustainability-Linked Notes**”).

For any Interest Period commencing on or after the first Interest Payment Date immediately following the occurrence of a Step Up Event, if any, the Initial Rate of Interest (in the case of Fixed Rate Notes) and the Rate of Interest (in the case of the Floating Rate Notes) shall be increased by the Step Up Margin specified in the applicable Final Terms.

The Issuer will cause (i) the occurrence of a Step Up Event and (ii) (unless a Step Up Event has previously occurred and been notified to the Paying Agent, the Trustee and the Noteholders as required by this Condition 5(c)) the satisfaction of the Carbon Intensity (Electricity Generation) Condition, the Renewable Energy Output Condition, or the Absolute GHG Emissions Scope 1 & Scope 2 Condition, as the case may be, to be notified to the Paying Agent, the Trustee and, in accordance with Condition 17 (*Notices*), the Noteholders as soon as reasonably practicable after such occurrence or satisfaction (as applicable) and in respect of a Step Up Event, no later than the relevant Step Up Event Notification Deadline. Such notice shall be irrevocable and shall specify the Rate of Interest and, in the case of a notification of the occurrence of a Step Up Event, the Step Up Margin and the Step Up Date.

For the avoidance of doubt, an increase in the Rate of Interest may occur no more than once in respect of the relevant Sustainability-Linked Note and will not subsequently decrease.

Neither the Trustee nor the Paying Agent shall be obliged to monitor or inquire as to whether a Step Up Event has occurred or have any liability in respect thereof and the Trustee shall be entitled to rely absolutely on any notice given to it by the Issuer pursuant to this Condition 5(c) without further enquiry or liability.

As used in these Conditions:

“**2018 Absolute GHG Emissions Baseline**” means the Absolute GHG Emissions Amount for the financial year 2017/18, as initially reported in SSE’s sustainability report 2018 and confirmed by the External Verifier in an assurance report published by SSE on 15 June 2018;

“**2018 Carbon Intensity (Electricity Generation) Baseline**” means the Carbon Intensity (Electricity Generation) Amount for the financial year 2017/18, as initially reported in SSE’s sustainability report 2018 and confirmed by the External Verifier in an assurance report published by SSE on 15 June 2018;

“**Absolute GHG Emissions Amount**” means, in millions of metric tonnes of carbon dioxide equivalent (Mt CO₂e), the sum of the:

- a) Scope 1 Emissions; and
- b) Scope 2 Emissions,

in each case, for the previous financial year reported by SSE in accordance with Condition 17A (*Available Information*) and confirmed by the External Verifier;

“Absolute GHG Emissions Percentage” means in respect of the relevant Absolute GHG Emissions Reference Year, the percentage by which the Absolute GHG Emissions Amount for such financial year is a reduction in comparison to the 2018 Absolute GHG Emissions Baseline, as calculated in good faith by SSE, confirmed by the External Verifier and published by SSE in accordance with Condition 17A (*Available Information*);

“Absolute GHG Emissions Percentage Threshold” means the threshold(s) (expressed as a percentage) specified in the applicable Final Terms as being the Absolute GHG Emissions Percentage Threshold in respect of each or all Absolute GHG Emissions Reference Years;

“Absolute GHG Emissions Reference Year” means the financial year(s) of the SSE Group specified in the applicable Final Terms as being the Absolute GHG Emissions Reference Year;

“Absolute GHG Emissions Scope 1 & Scope 2 Condition” means in relation to each Absolute GHG Emissions Reference Year, (i) the Reporting Condition (as defined in Condition 17A (*Available Information*) having been satisfied, and (ii) the Absolute GHG Emissions Percentage, as shown in the relevant Sustainability Report, is equal to or greater than the Absolute GHG Emissions Percentage Threshold;

“Absolute GHG Emissions Scope 1 & Scope 2 Event” means the failure of the Issuer to satisfy the Absolute GHG Emissions Scope 1 & Scope 2 Condition;

“Assurance Report” has the meaning given to it in Condition 17A (*Available Information*);

“Carbon Intensity (Electricity Generation) Amount” means the CO₂ equivalent emissions (gCO₂e per kWh) from the production of electricity (both thermal (coal, oil, gas, biomass, multifuel) and renewables (onshore and offshore wind, hydro and pumped storage and excluding Great Britain constrained-off output)) for the previous financial year reported by SSE in accordance with Condition 17A (*Available Information*) and confirmed by the External Verifier;

“Carbon Intensity (Electricity Generation) Condition” means, in relation to each Carbon Intensity (Electricity Generation) Reference Year, (i) the Reporting Condition (as defined in Condition 17A (*Available Information*) having been satisfied, and (ii) the Carbon Intensity (Electricity Generation) Percentage, as shown in the relevant Sustainability Report, is equal to or greater than the Carbon Intensity (Electricity Generation) Percentage Threshold;

“Carbon Intensity (Electricity Generation) Event” means the failure of the Issuer to satisfy the Carbon Intensity (Electricity Generation) Condition;

“Carbon Intensity (Electricity Generation) Percentage” means in respect of the relevant Carbon Intensity (Electricity Generation) Reference Year, the percentage by which the Carbon Intensity (Electricity Generation) Amount for such financial year is a reduction in comparison to the 2018 Carbon Intensity (Electricity Generation) Baseline, as calculated in good faith by SSE, confirmed by the External Verifier and published by SSE in accordance with Condition 17A (*Available Information*);

“Carbon Intensity (Electricity Generation) Percentage Threshold” means the threshold(s) (expressed as a percentage) specified in the applicable Final Terms as being the Carbon Intensity (Electricity Generation) Percentage Threshold in respect of each or all Carbon Intensity (Electricity Generation) Reference Years;

“Carbon Intensity (Electricity Generation) Reference Year” means the financial year(s) of the SSE Group specified in the applicable Final Terms as being the Carbon Intensity (Electricity Generation) Reference Year;

“**External Verifier**” means PricewaterhouseCoopers LLP (“**PwC**”), or, in the event that PwC resigns or is otherwise replaced, such other qualified provider of third-party assurance or attestation services appointed by SSE, to review SSE’s statement of Carbon Intensity (Electricity Generation) Amount, Renewable Energy Output, or Absolute GHG Emissions Amount as applicable;

“**Initial Rate of Interest**” means the initial Rate of Interest specified in the applicable Final Terms;

“**Reference Year**” means any:

- a) Carbon Intensity (Electricity Generation) Reference Year;
- b) Renewable Energy Output Reference Year; and
- c) Absolute GHG Emissions Reference Year,

or each of them, as applicable, and as the context may so require;

“**Renewable Energy Output**” means the total output from the SSE Group’s renewable energy electricity generation measured in TWh taking into account onshore and offshore wind (including Great Britain constrained-off output), biomass, hydro and pumped storage for the previous financial year as of a given date reported by SSE in accordance with Condition 17A (*Available Information*) and confirmed by the External Verifier;

“**Renewable Energy Output Event**” means the failure of the Issuer to satisfy the Renewable Energy Output Condition;

“**Renewable Energy Output Condition**” means, in relation to each Renewable Energy Output Reference Year, (i) the Reporting Condition (as defined in Condition 17A (*Available Information*)) having been satisfied, and (ii) the Renewable Energy Output, as shown in the relevant Sustainability Report, is equal to or greater than the Renewable Energy Output Threshold;

“**Renewable Energy Output Reference Year**” means the financial year(s) of the SSE Group specified in the applicable Final Terms as being the Renewable Energy Output Reference Year;

“**Renewable Energy Output Threshold**” means the threshold(s) specified in the applicable Final Terms as being the Renewable Energy Output Threshold in respect of each or all Renewable Energy Output Reference Years;

“**Scope 1 Emissions**” means SSE’s Scope 1 carbon dioxide equivalent emissions as of a given date reported by SSE in its Sustainability Report;

“**Scope 2 Emissions**” means SSE’s Scope 2 carbon dioxide equivalent emissions as of a given date reported by SSE in its Sustainability Report;

“**Step Up Date**” means in relation to any Step Up Event, the first day of the next Interest Period following the date on which SSE is required to publish the Sustainability Report and the Assurance Report for the relevant Reference Year pursuant to Condition 17A (*Available Information*);

“**Step Up Event**” means either a Carbon Intensity (Electricity Generation) Event, a Renewable Energy Output Event, or an Absolute GHG Emissions Scope 1 & Scope 2 Event, as specified in the applicable Final Terms in respect of the applicable Reference Year, in each case where no Step Up Event has previously occurred in respect of the Sustainability-Linked Notes;

“**Step Up Event Notification Deadline**” means the date of publication of the Sustainability Report in respect of the applicable Reference Year;

“**Step Up Margin**” means in relation to each Step Up Event, the amount specified in the applicable Final Terms as being the Step Up Margin; and

“**Sustainability Report**” has the meaning give to it in Condition 17A (*Available Information*).

- (d) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (e) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 9).
- (f) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**
 - (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, “**unit**” means the lowest amount of such currency that is available as legal tender in the country of such currency.
- (g) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest

payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

- (h) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Make-Whole Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 11, the accrued interest and the Rate of Interest payable in respect of the Notes shall, subject in the case of each of the SONIA Compounded Index Rate and the SONIA Compounded Daily Reference Rate to Condition 5(b)(iii)(C)(y)(i), nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (i) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:
- “**Business Day**” means:
- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

- (ii) in the case of euro, a day on which the TARGET system is operating (a “**TARGET Business Day**”) and/or
- (iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual — ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365
- (iii) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30

- (vi) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30

- (vii) if “**Actual/Actual-ICMA**” is specified hereon,
- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“Determination Date” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

“EURIBOR” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor).

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified hereon.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“Interest Period Date” means each Interest Payment Date unless otherwise specified hereon.

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Banks**” means, in the determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market selected by the Issuer or by an agent appointed by the Issuer or as specified hereon.

“**Reference Rate**” means the rate specified as such hereon.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon.

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System or any successor thereto.

(k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(l) **Benchmark discontinuation:**

(i) *Independent Adviser*

(A) Subject in the case of Notes linked to SONIA to Condition 5(b)(iii)(C)(z) and Condition 5(b)(iii)(C)(aa), if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, at the Issuer’s own expense, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(l)(vii)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5(l)(vii)) and any Benchmark Amendments (in accordance with Condition 5(l)(iv)).

An Independent Adviser appointed pursuant to this Condition 5(l) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, or the Noteholders or the Couponholders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 5(l).

(B) If (1) the Issuer is unable to appoint an Independent Adviser; or (2) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 5(l)(i)(A)

prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this Condition 5(l)(i)(B) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, Condition 5(l)(i)(A).

(ii) Successor Rate or Alternative Rate

If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines that:

- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5(l)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(l)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5(l)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(l)).

(iii) Adjustment Spread

If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iv) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5(l) and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines (i) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(l)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two directors of the Issuer pursuant to Condition 5(l)(v), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, inter alia, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to

the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 5(l)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(l) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 17, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer:

- (A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate and, (iii) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(l); and
- (B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

(vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Condition 5(l)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii)(B)(y) and (z) will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with Condition 5(l)(v).

(vii) *Definitions:*

As used in this Condition 5(l):

“**Adjustment Spread**” means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (B) the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged)
- (C) the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines to be appropriate.

“**Alternative Rate**” means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner determines in accordance with Condition 5(l)(ii) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

“**Benchmark Amendments**” has the meaning given to it in Condition 5(l)(iv).

“**Benchmark Event**” means:

- (1) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (2) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (3) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months; or
- (5) it has become unlawful for any Paying Agent, Calculation Agent the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(l)(i).

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

“**Relevant Nominating Body**” means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as

applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

6 REDEMPTION, PURCHASE AND OPTIONS

(a) Final Redemption:

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) subject to adjustment in accordance with Condition 7 if Indexation is specified hereon.

(b) Early Redemption:

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 6(c), ¹[Condition 6(e)(ii)], ²[Condition 6(e)(iii)] or ²[Condition 6(e)(iv)] or upon it becoming due and payable as provided in Condition 11 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), ¹Condition 6(e)(ii), ²[Condition 6(e)(iii)] or ²[Condition 6(e)(iv)] or upon it becoming due and payable as provided in Condition 11 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), ¹[Condition

¹ Only applicable where SHEPD, SSEN Transmission or SEPD is the Issuer.

² Only applicable where SSE is the Issuer.

6(e)(ii)], ²[Condition 6(e)(iii)] or ²[Condition 6(e)(iv)] or upon it becoming due and payable as provided in Condition 11, shall be the Final Redemption Amount unless otherwise specified hereon, subject in each case to adjustment in accordance with Condition 7 if Indexation is specified hereon.

- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part on any Interest Payment Date (if this Note is either a Floating Rate Note or a RPI Linked Note) or at any time (if this Note is neither a Floating Rate Note nor a RPI Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 9 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders and Couponholders and (ii) an opinion in a form satisfactory to the Trustee of independent legal advisers of recognised standing to whom the Trustee shall have no reasonable objection to the effect that such amendment or change has occurred (irrespective of whether such amendment or change is then effective).
- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date (that is, if the Issuer Maturity Par Call is specified to be applicable hereon, more than 90 days prior to the Maturity Date). Any such redemption of Notes shall be at the Optional Redemption Amount specified hereon together with interest accrued to the date fixed for redemption, subject in each case to adjustment in accordance with Condition 7 if Indexation is specified hereon. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

If Make-Whole Redemption is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Make-Whole Redemption Date (that is, if the Issuer Maturity Par Call is specified to be applicable hereon, more than 90 days prior to the Maturity Date). Any such redemption of Notes shall be at the Make-Whole Amount which shall be equal to the higher of the following, in each case together with interest accrued to (but excluding) the Make-Whole Redemption Date, and subject in each case to adjustment in accordance with Condition 7 if Indexation is specified hereon: (a) 100 per cent. of the nominal amount of the Notes being redeemed; or (b) the price (as reported to the Issuer and the Calculation Agent by the Financial Adviser and expressed as a percentage) that provides for a Gross Redemption Yield on such Notes on the Reference Date equal (after adjusting for any difference in compounding frequency) to the Reference Bond Rate at the Specified Time on the Reference Date, plus the Redemption Margin (if any).

Where:

“Financial Adviser” means an investment banking, accountancy, appraisal or financial advisory firm with international standing that has (in the reasonable opinion of the Issuer) appropriate expertise relevant to the determination required to be made under this Condition 6(d) selected by the Issuer and approved by the Trustee.

“Gross Redemption Yield” means a yield expressed as a percentage and calculated by the Financial Adviser in accordance with generally accepted market practice.

“Redemption Margin” shall be as specified hereon.

“Reference Bond(s)” means, as at the Reference Date, a current on-the-run government security or securities having an actual or, where there is more than one Reference Bond, interpolated maturity comparable with the remaining term of the Notes that would be utilised in accordance with generally accepted market practice in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes (if the Notes were to remain outstanding to the Maturity Date), as determined by the Financial Adviser.

“Reference Bond Rate” means the actual or, where there is more than one Reference Bond, interpolated, yield per annum calculated by the Financial Adviser in accordance with generally accepted market practice by reference to the arithmetic mean of the middle market prices provided by three Reference Dealers for the Reference Bond(s) having an actual or interpolated maturity equal to the remaining term of the Notes (if the Notes were to remain outstanding to the Maturity Date).

“Reference Date” means the fifth London Business Day prior to the Make-Whole Redemption Date.

“Reference Dealer” means a bank selected by the relevant Issuer or its affiliates in consultation with the Financial Adviser which is (A) a primary government securities dealer, or (B) a market maker in pricing corporate bond issues.

“Specified Time” shall be as specified hereon.

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6(d) by the Financial Adviser, shall (in the absence of negligence, wilful default, manifest error or bad faith) be binding on the Issuer, the Calculation Agent and the Trustee, the Paying Agents and all Noteholders and Couponholders and (in the case of Registered Notes) the Registrar and the Transfer Agents and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Financial Adviser in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to the provisions of this Condition 6(d).

Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) Redemption at the Option of Noteholders:

- (i) If General Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon, the "**Notice Period**") redeem such Note on the Optional Redemption Date(s) at the Optional Redemption Amount specified hereon together with interest accrued to the date fixed for redemption, subject in each case to adjustment in accordance with Condition 7 if Indexation is specified hereon.
- (ii) This Condition 6(e)(ii) applies only where SHEPD, SSEN Transmission or SEPD is the Issuer.

If Restructuring Event Put Option is specified hereon and if, at any time while any of the Notes remains outstanding, a Restructuring Event occurs and prior to the commencement of or during the Restructuring Period an Independent Financial Adviser shall have certified in writing to the Trustee that such Restructuring Event will not be or is not, in its opinion, materially prejudicial to the interests of the Noteholders, the following provisions of this Condition 6(e)(ii) shall cease to have any further effect in relation to such Restructuring Event.

If Restructuring Event Put Option is specified hereon and if, at any time while any of the Notes remains outstanding, a Restructuring Event occurs and (subject to the above paragraph):

- (A) within the Restructuring Period, either:
 - (I) if at the time such Restructuring Event occurs the Notes are rated, a Rating Downgrade in respect of such Restructuring Event also occurs; or
 - (II) if at such time the Notes are not rated, a Negative Rating Event also occurs;
- (B) in making any decision to downgrade or withdraw a credit rating pursuant to paragraphs (i) and (ii) above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Restructuring Event (the "**Confirmation**"); and
- (C) an Independent Financial Adviser shall have certified in writing to the Trustee that such Restructuring Event is, in its opinion, materially prejudicial to the interests of the Noteholders (a "**Negative Certification**"),

then, unless at any time the Issuer shall have given a notice under Condition 6(c), 6(d), 6(f), 6(g) or 6(h) the holder of each Note will, upon the giving of a Put Event Notice (as defined below), have the option (the "**Restructuring Event Put Option**") to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) that Note on the date which is seven days after the expiration of the Put Period (as defined below) (or such other date as may be specified hereon, the "**Put Date**"), at the Restructuring Event Redemption Amount specified hereon together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Put Date subject in each case to adjustment in accordance with Condition 7 if Indexation is specified hereon.

An event shall be deemed not to be a Restructuring Event if, notwithstanding the occurrence of a Rating Downgrade or a Negative Rating Event, the rating assigned to the Notes by any Rating Agency is subsequently increased to, or, as the case may be, there is assigned to the Notes an investment grade credit rating (BBB-/Baa3 or their respective equivalents for the time being) or better prior to any Negative Certification being issued.

Any certification by an Independent Financial Adviser as aforesaid as to whether or not, in its opinion, any Restructuring Event is materially prejudicial to the interests of the Noteholders

shall, in the absence of manifest error, be conclusive and binding on the Trustee, the Issuer and the Noteholders.

(iii) This Condition 6(e)(iii) applies only where SSE is the Issuer:

If Change of Control Put Option is specified hereon and if, at any time while any of the Notes remains outstanding, a Change of Control occurs and:

(A) on the date (the “**Relevant Announcement Date**”) that is the earlier of (1) the date of the first public announcement of the relevant Change of Control and (2) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry:

(I) a credit rating from any Rating Agency and there occurs, within the Change of Control Period, a Change of Control Rating Downgrade; or

(II) no credit rating and a Change of Control Negative Rating Event also occurs within the Change of Control Period,

provided that an event shall be deemed not to be a Change of Control if, notwithstanding the occurrence of a Change of Control Rating Downgrade or a Change of Control Negative Rating Event, the rating assigned to the Notes by any Rating Agency is subsequently increased to, or, as the case may be, there is assigned to the Notes an investment grade credit rating (BBB-/Baa3 or their respective equivalents for the time being) or better within the Change of Control Period; and

(B) in making any decision to downgrade or withdraw a credit rating pursuant to paragraphs (I) and (II) above or not to award a credit rating of at least investment grade as described in paragraph (ii) of the definition of Change of Control Negative Rating Event, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement (the “**Confirmation**”),

then, unless at any time the Issuer shall have given a notice under Condition 6(c), 6(d), 6(f), 6(g) or 6(h) the holder of each Note will, upon the giving of a Put Event Notice (as defined below), have the option (the “**Change of Control Put Option**”) to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) that Note on the date which is seven days after the expiration of this Put Period (as defined below) (or such other date as may be specified hereon, the “**Put Date**”), at the Change of Control Redemption Amount specified hereon together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Put Date, subject in each case to adjustment in accordance with Condition 7 if Indexation is specified hereon.

(iv) This Condition 6(e)(iv) applies only where SSE is the Issuer:

If SSE Restructuring Event Put Option is specified hereon and as soon as reasonably practicable after the occurrence of a SSE Restructuring Event, the Issuer shall make a Public Announcement and if, within the SSE Restructuring Period, either:

(A) (if at the time that the SSE Restructuring Event occurs there are Rated Securities) a SSE Rating Downgrade in respect of the SSE Restructuring Event occurs; or

(B) (if at the time that the SSE Restructuring Event occurs there are no Rated Securities) a SSE Negative Rating Event in respect of the SSE Restructuring Event occurs,

(the SSE Restructuring Event and SSE Rating Downgrade or the SSE Restructuring Event and SSE Negative Rating Event, as the case may be, occurring within the SSE Restructuring Period, together called a “**SSE Restructuring Event Put Event**”),

then, unless the Issuer shall have previously given a notice under Condition 6(c), 6(d), 6(f), 6(g) or 6(h) the holder of each Note will have the option (the “**SSE Restructuring Event Put Option**”) upon the giving of Put Event Exercise Notice (as defined below) to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) such Note on the date which is seven days after the expiration of the Put Period (as defined below) (or such other date as may be specified hereon, the “**Put Date**”) at the SSE Restructuring Event Redemption Amount specified hereon together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Put Date, subject in each case to adjustment in accordance with Condition 7 if Indexation is specified hereon.

The Issuer shall, forthwith upon becoming aware of the occurrence of any event which may (after taking into account all (if any) other relevant events in relation to Disposed Assets for the purpose of this Condition 6(e)(iv)) result in a SSE Restructuring Event (a “**Potential SSE Restructuring Event**”) (a) provide the Trustee with the relevant Directors’ Report and (b) to the extent permitted by the terms of the engagement letter between the Issuer and the Reporting Accountants, provide or procure that the Reporting Accountants provide the Trustee with a copy of the Accountants’ Report. The Directors’ Report and the Accountants’ Report shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Noteholders. The Trustee shall be entitled to act, or not act, and rely on without being expected to verify the accuracy of the same (and shall have no liability to Noteholders for doing so) any Directors’ Report and/or any Accountants’ Report provided to it (whether or not addressed to it).

- (v) Promptly upon, and in any event within 14 days after, the Issuer becoming aware that a ³[Restructuring Event Put Event], ⁴[Change of Control Put Event] or ⁴[SSE Restructuring Event Put Event] has occurred, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding, the Trustee shall (subject to it being indemnified and/or secured to its satisfaction), give notice (a “**Put Event Notice**”) to the Noteholders in accordance with Condition 17 specifying the nature of the ³[Restructuring Event Put Event], ⁴[Change of Control Put Event] or ⁴[SSE Restructuring Event Put Event] and the procedure for exercising the ³[Restructuring Event Put Option], ⁴[Change of Control Put Option] or ⁴[SSE Restructuring Event Put Option].

If the rating designations employed by any of Moody’s or S&P are changed from those which are described in the definition of ³[Rating Downgrade], ⁴[Change of Control Rating Downgrade] or [SSE Rating Downgrade] below, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee, the rating designations of Moody’s or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody’s or S&P and this Condition 6 shall be construed accordingly.

The Trust Deed provides that the Trustee is under no obligation to ascertain whether ³[a Restructuring Event, a Negative Rating Event or a Potential Restructuring Event (as defined in the Trust Deed)], ⁴[a Change of Control Put Event, Change of Control, a Change of Control Negative Rating Event or any event which could lead to the occurrence of or could constitute a

³ Only applicable where SHEPD, SSEN Transmission or SEPD is the Issuer.

⁴ Only applicable where SSE is the Issuer.

Change of Control] or ⁴[a SSE Restructuring Event, a SSE Negative Rating Event or a Potential SSE Restructuring Event] has occurred and until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary the Trustee may assume without liability to any person for so doing that no such event has occurred. The Trust Deed also provides that in determining whether or not a ³[Restructuring Event] or ⁴[SSE Restructuring Event] has occurred, the Trustee shall be entitled, but not bound, to rely solely on an opinion given in a certificate signed by two directors of the Issuer.

To exercise any option specified in this Condition 6(e) the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Notice Period or 30 days after a Put Event Notice is given (or such other put period as may be specified hereon, the “**Put Period**”), as applicable. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Redemption for Index Reasons:** If Indexation is specified hereon and if the Index (as defined in Condition 7) ceases to be published or any changes are made to it which, in the opinion of the Expert (as defined in Condition 7), constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee considers reasonable), or states to the Issuer and the Trustee that it is unable, to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments) as described in Condition 7(b)(iii), the Issuer shall, within 14 days after the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall be not more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to their outstanding nominal amount as adjusted for indexation in accordance with Condition 7 together (where applicable) with accrued interest on the outstanding nominal amount to the date fixed for redemption (as adjusted as aforesaid).

If the Index ceases to be published or any changes are made to it which, in the opinion of the Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee considers reasonable), or states to the Issuer and the Trustee that it is unable to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments) as described in Condition 7(b)(iii), the Issuer may at its option, within 14 days after the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall be not more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to their nominal amount as adjusted for indexation in accordance with Condition 7, together (where applicable) with accrued interest on the outstanding nominal amount to the date fixed for redemption (as adjusted as aforesaid).

- (g) **Redemption at the option of the Issuer (Issuer Maturity Par Call):** If Issuer Maturity Par Call is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days’ irrevocable notice to the Noteholders (or such other notice period as may be specified hereon), redeem the Notes in whole, but not in part, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at the Final Redemption Amount

specified hereon together with interest accrued (if any) to (but excluding) the date fixed for redemption, subject to adjustment in accordance with Condition 7 if Indexation is specified hereon.

- (h) **Clean-Up Call Option:** If Clean-Up Call Option is specified hereon, the Issuer may, on giving no less than 30 nor more than 60 days' irrevocable notice to the Noteholders, redeem the Notes in whole, but not in part, on the date specified in such notice at the Clean-Up Redemption Amount specified hereon together with interest accrued (if any) to (but excluding) the date fixed for redemption, subject to adjustment in accordance with Condition 7 if Indexation is specified hereon.
- (i) **Purchases:** The Issuer and any of its Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (j) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 INDEXATION

If Indexation is specified hereon:

(a) Indexation:

- (i) The redemption amount payable pursuant to Condition 6(a), 6(b), 6(c), 6(d), 6(e), 6(f), 6(g) or 6(h) and the amount payable pursuant to Condition 11 upon repayment of the Notes, as the case may be, shall be the Early Redemption Amount, the Optional Redemption Amount, the Make-Whole Amount, ⁵[the Restructuring Event Redemption Amount], ⁶[the Change of Control Redemption Amount], ²[the SSE Restructuring Event Redemption Amount] or the outstanding nominal amount of the Notes, as the case may be, multiplied by the Index Ratio applicable to the date on which such redemption amount or repayment becomes payable.

Interest on the Notes shall be calculated at the Rate of Interest specified hereon multiplied by the Index Ratio applicable to the date on which such payment falls to be made and rounded to six decimal places (0.0000005 being rounded upwards). The amount of interest payable on each Note shall be calculated in accordance with Condition 5(g).

The Calculation Agent will calculate such redemption amount, repayment amount, amount of interest or rate of interest (as the case may be) as soon as practicable after each time such amount or rate is capable of being determined and will notify the Issuing and Paying Agent thereof as soon as practicable after calculating the same. The Issuing and Paying Agent will as soon as practicable thereafter notify the Issuer and any stock exchange on which the Notes are for the time being listed thereof and cause notice thereof to be published in accordance with Condition 17.

⁵ Only applicable where SHEPD, SSEN Transmission, or SEPD is the Issuer

⁶ Only applicable where SSE is the Issuer

(ii) *Definitions:* For the purposes of these Conditions:

“**Base Index Figure**” means, subject as provided in Condition 7(b) below, the Base Index Figure specified hereon;

“**Calculation Date**” means any date when a payment of interest or, as the case may be, principal falls due;

“**Expert**” means an independent investment bank or other expert in London appointed by the Issuer and approved by the Trustee or (failing such appointment within 10 days after the Trustee shall have requested such appointment) appointed by the Trustee;

“**Index**” or “**Index Figure**” means, in relation to any calculation month (as defined in Condition 7(b)(ii)(A)), subject as provided in Conditions 6(f) and 7(b), the United Kingdom General Index of Retail Prices (for all items) as published by the Office for National Statistics (January 1987=100) as published by HM Government (currently contained in the Monthly Digest of Statistics) and applicable to such calculation month or, if that index is not published for any calculation month, any substituted index or index figures published by the Office for National Statistics or the comparable index which replaces the United Kingdom General Index of Retail Prices (for all items) for the purpose of calculating the amount payable on repayment of the Reference Gilt;

Any reference to the “**Index Figure applicable**” to a particular Calculation Date shall, subject as provided in Condition 7(b) below, and if “3 months lag” is specified hereon, be calculated in accordance with the following formula:

$$\text{IFA} = \text{RPI}_{m-3} \frac{(\text{Day of Calculation Date}-1)}{(\text{Days in month of Calculation Date})} \times (\text{RPI}_{m-2} - \text{RPI}_{m-3})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

“**IFA**” means the Index Figure applicable;

“**RPI_{m-3}**” means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due;

“**RPI_{m-2}**” means the Index Figure for the first day of the month that is two months prior to the month in which the payment falls due;

Any reference to the “**Index Figure applicable**” to a particular Calculation Date shall, subject as provided in Condition 7(b) below, and if “8 months lag” is specified hereon, be calculated in accordance with the following formula:

$$\text{IFA} = \text{RPI}_{m-8} \frac{(\text{Day of Calculation Date}-1)}{(\text{Days in month of Calculation Date})} \times (\text{RPI}_{m-7} - \text{RPI}_{m-8})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

“**IFA**” means the Index Figure applicable;

“**RPI_{m-8}**” means the Index Figure for the first day of the month that is eight months prior to the month in which the payment falls due;

“**RPI_{m-7}**” means the Index Figure for the first day of the month that is seven months prior to the month in which the payment falls due;

“**Index Ratio**” applicable to any Calculation Date means the Index Figure applicable to such date divided by the Base Index Figure and rounded to five decimal places (0.000005 being rounded upwards); and

“**Reference Gilt**” means the Reference Gilt specified hereon (or, if such stock is not in existence, such other index-linked stock issued by or on behalf of HM Government as the Issuer, on the advice of three leading brokers and/or gilt edged market makers (or such other three persons operating in the gilt edged market as the Issuer subject to the approval of the Trustee, may select), may consider to be the most appropriate reference government stock for the Notes).

(b) Changes in Index:

- (i) *Change in base:* If at any time the Index is changed by the substitution of a new base for it, then with effect from (and including) the date from and including that on which such substitution takes effect:
 - (A) the definition of Index and Index Figure in Condition 7(a) shall be deemed to refer to the new date in substitution for January 1987 (or, as the case may be, for such other date or month as may have been substituted for it); and
 - (B) the definition of Base Index Figure in Condition 7(a) shall be amended to mean the product of the then-applicable Base Index Figure and the Index immediately following such substitution, divided by the Index immediately prior to such substitution.
- (ii) *Delay in publication of the Index:*
 - (A) If, in relation to a particular payment of interest or to the redemption of the Notes and otherwise than in circumstances which the Issuer certifies to the Trustee may fall within Condition 7(b)(iii) or 6(f) (notwithstanding that the Issuer may subsequently be advised that they do not fall within Condition 7(b)(iii) or 6(f)), the Index Figure relating to any month (the “**calculation month**”) which is required to be taken into account for the purposes of the determination of the Index Figure applicable for any date is not published on or before the fourteenth day before the date on which such payment is due (the “**date for payment**”), the Index Figure relating to the relevant calculation month shall be the substitute index figure (if any) as is published by the Bank of England or the United Kingdom Debt Management Office (or such other United Kingdom authority as may be appropriate) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more of HM Government’s index-linked stocks, as determined by the Expert; or
 - (B) if no such determination is made by the Expert within seven days, the Index Figure last published before the date for payment.

Where the provisions of this Condition 7(b)(ii) apply, the certificate of the Issuer, acting on the advice of an Expert, as to the Index Figure applicable to the date for payment falls shall be conclusive and binding upon the Issuer, the Trustee and the Noteholders. If a substitute index is published as specified in (A) above, a determination made based on that index shall be final and no further payment by way of adjustment shall be made, notwithstanding that the Index Figure applicable to the date for payment may subsequently be published. If no substitute index is so published and the Index relating to the date for payment is subsequently published, then:

- (x) in the case of any Note not falling due for redemption on the date for payment, if the Index so subsequently published (if published while that Note remains outstanding) is greater or less than the Index applicable by virtue of (B) above, the interest payable on that Note on the Interest Payment Date next succeeding the date of such subsequent publication shall be increased or reduced to reflect the amount by which the interest payable on that Note on the date for payment on the basis of the Index applicable by virtue of (B) above fell short of, or (as the case may be) exceeded the interest which

would have been payable on that Note if the Index subsequently published had been published on or before the second business day before the date for payment; or

(y) in the case of any Note falling due for final redemption on the date for payment, no subsequent adjustment to amounts paid will be made.

(iii) *Cessation of or fundamental changes to the Index*: If the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer or the Noteholders and if, within 30 days after its appointment (or such longer period as the Trustee may consider reasonable), the Expert recommends for the purposes of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments), then provided that such adjustments or substitute index (as the case may be) are not materially detrimental (in the opinion of the Expert) either to the interests of the Issuer or the interests of the Noteholders, as compared to the interests of the Issuer and the Noteholders (as the case may be) as they would have been had the Index continued to be published or such fundamental change in the rules governing the Index not been made, the Index shall be adjusted as so recommended or (as the case may be) shall be replaced by the substitute index so recommended (as so adjusted, if so recommended) and references in these Conditions to the Index shall be construed accordingly and the Issuer shall notify the Noteholders of the adjustments to the Index or the introduction of the substitute index (with or without adjustments) in accordance with Condition 17.

If any payment in respect of the Notes is due to be made after the cessation or changes referred to in the preceding paragraph but before any such adjustment to, or replacement of, the Index takes effect, the Issuer shall (if the Index Figure applicable (or deemed applicable) to the date for payment is not available in accordance with the provisions of Condition 7(a)) make a provisional payment on the basis that the Index Figure applicable to the date for payment is the Index last published. In that event or in the event of any payment on the Notes having been made on the basis of an Index deemed applicable under Condition 7(b)(ii)(A) above (also referred to below as a “**provisional payment**”) and of the Trustee on the advice of the Expert (on which it may rely solely without liability to any person for so doing) subsequently determining that the relevant circumstances fall within this Condition 7(b)(iii), then:

(A) except in the case of a payment on redemption of the Notes, if the sum which would have been payable if such adjustments or such substitute index had been in effect on the due date for such provisional payment is greater or less than the amount of such provisional payment, the interest payable on the Notes on the Interest Payment Date next succeeding the last date by which the Issuer and Trustee receive such recommendation shall be increased or reduced to reflect the amount by which such provisional payment of interest fell short of, or (as the case may be) exceeded, the interest which would have been payable on the Notes if such adjustments or such substituted index had been in effect on that date; or

(B) in the case of a payment of principal or interest on redemption of the Notes, no subsequent adjustment to amounts paid will be made.

(iv) *Trustee*: The Trustee shall be entitled to assume that no cessation of or change to the Index has occurred until informed otherwise by the Issuer and will not be responsible for identifying or appointing an Expert save as provided in these Conditions.

- (c) **Appointment of Expert:** At any time when under these Conditions it is necessary to have, or the Trustee requests, the appointment of an Expert, the Issuer shall take such steps as are necessary to appoint an Expert approved by the Trustee and at the expense of the Issuer.

8 PAYMENTS AND TALONS

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 8(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (b) **Registered Notes:**
- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment or other laws to which the Issuer agrees to be subject and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretation thereof, or any law implementing an intergovernmental approach thereto, and, save as provided in Condition 9, the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreement. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the

right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where these Conditions so require, (v) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 8(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) Unmatured Coupons and unexchanged Talons:

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than RPI Linked Notes), such Bearer Notes should be surrendered for payment together with all unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, or RPI Linked Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relative unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may reasonably require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

- (g) Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).

- (h) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

9 TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such Taxes in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing the relevant Note is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

Notwithstanding anything to the contrary contained herein, the Issuer shall be entitled to withhold and deduct any amounts required to be deducted or withheld in respect of payment of principal and/or interest made by it in respect of the Notes and the Coupons pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended, (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”), and neither the Issuer nor any other person shall be required to pay any additional amounts in respect of FATCA Withholding.

As used in these Conditions, “**Relevant Date**” in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Make-Whole Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other

amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

10 PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 EVENTS OF DEFAULT

If any of the following events (“**Events of Default**”) occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject to it being indemnified and/or secured to its satisfaction, give notice to the Issuer that the Notes are, and they shall thereupon immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest, subject in each case to adjustment in accordance with Condition 7 if Indexation is specified hereon:

- (i) **Non-Payment:** default is made for a period of 14 days or more in the payment of any principal or 21 days or more in the payment of any interest due in respect of the Notes or any of them; or
- (ii) **Breach of Other Obligations:** the Issuer fails to perform or observe any of its other obligations under the Notes or the Trust Deed and (except where the Trustee shall have certified to the Issuer in writing that it considers such failure to be incapable of remedy in which case no such notice or continuation as is hereinafter mentioned will be required) such failure continues for the period of 60 days (or such longer period as the Trustee may in its absolute discretion permit) next following the service by the Trustee of notice on the Issuer requiring the same to be remedied; or
- (iii) **Cross-Acceleration:** (A) any other Indebtedness For Borrowed Money of the Issuer or any Principal Subsidiary becomes due and repayable prior to its stated maturity by reason of an event of default or (B) any such Indebtedness For Borrowed Money is not paid when due or, as the case may be, within any applicable grace period (as originally provided) or (C) the Issuer or any Principal Subsidiary fails to pay when due (or, as the case may be, within any originally applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness For Borrowed Money of any person or (D) any security given by the Issuer or any Principal Subsidiary for any Indebtedness For Borrowed Money of any person or for any guarantee or indemnity of Indebtedness For Borrowed Money of any person becomes enforceable by reason of default in relation thereto and steps are taken to enforce such security, save in any such case where there is a bona fide dispute as to whether the relevant Indebtedness For Borrowed Money or any such guarantee or indemnity as aforesaid shall be due and payable, provided that the aggregate amount of the relevant Indebtedness For Borrowed Money in respect of which any one or more of the events mentioned above in this paragraph (iii) has or have occurred equals or exceeds whichever is the greater of £20,000,000 or its equivalent in other currencies (as determined by the Trustee) or two per cent, of Capital and Reserves, and for the purposes of this paragraph (iii), “Indebtedness For Borrowed Money” shall exclude Project Finance Indebtedness; or
- (iv) **Winding up — Issuer:** any order shall be made by any competent court or any resolution shall be passed for the winding up or dissolution of the Issuer, save for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement on terms previously approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders) or by an Extraordinary Resolution of the Noteholders; or

- (v) **Winding up — Principal Subsidiary:** any order shall be made by any competent court or any resolution shall be passed for the winding up or dissolution of a Principal Subsidiary, save for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) not involving or arising out of the insolvency of such Principal Subsidiary and under which all the surplus assets of such Principal Subsidiary are transferred to the Issuer or any of its other Subsidiaries (other than an Excluded Subsidiary) or (B) the terms of which have previously been approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders) or by an Extraordinary Resolution of the Noteholders; or
- (vi) **Cessation of Business:** the Issuer or any Principal Subsidiary shall cease to carry on the whole or substantially the whole of its business, save in each case for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) not involving or arising out of the insolvency of the Issuer or such Principal Subsidiary and under which all or substantially all of its assets are transferred to another member or members of the Group (other than an Excluded Subsidiary) or to a transferee or transferees which is or are, or immediately upon such transfer become(s), a Principal Subsidiary or Principal Subsidiaries or (B) under which all or substantially all of its assets are transferred to a third party or parties (whether associates or not) for full consideration by the Issuer or a Principal Subsidiary on an arm's length basis or (C) the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders,⁷[provided that if neither the Issuer nor any Relevant Subsidiary holds the Distribution Licence, the Issuer shall be deemed to have ceased to carry on the whole or substantially the whole of its business (and neither of exceptions (A) and (B) shall apply)]; or
- (vii) **Insolvency:** the Issuer or any Principal Subsidiary shall suspend or announce its intention to suspend payment of its debts generally or shall be declared or adjudicated by a competent court to be unable, or shall admit in writing its inability, to pay its debts generally (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986) as they fall due, or shall be adjudicated or found insolvent by a competent court or shall enter into any composition or other similar arrangement with its creditors generally under Section 1 of the Insolvency Act 1986; or
- (viii) **Security Enforced:** a receiver, administrative receiver, administrator or other similar official shall be appointed in relation to the Issuer or any Principal Subsidiary or in relation to the whole or a substantial part of the undertaking or assets of any of them or a distress, execution or other process shall be levied or enforced upon or sued out against, or any encumbrancer shall take possession of, the whole or a substantial part of the assets of any of them and in any of the foregoing cases it or he shall not be paid out or discharged within 90 days (or such longer period as the Trustee may in its absolute discretion permit),

provided that in the case of paragraphs (ii), (iii), (v), (vi), (viii) and (other than in relation to the Issuer) (vii) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purposes of paragraph (vii) above, Section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for “£750” there was substituted “£250,000”. Neither the Issuer nor any Principal Subsidiary shall be deemed to be unable to pay its debts for the purposes of paragraph (vii) above if any such demand as is mentioned in Section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the Issuer or the relevant Principal Subsidiary with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Trustee under this Condition.

⁷ Only applicable where SHEPD, SSEN Transmission or SEPD is the Issuer.

12 MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders (including by way of telephone or video conference) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent, in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*:

- (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes,
- (ii) to reduce or cancel the nominal amount of or any premium payable on redemption of, the Notes,
- (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes,
- (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum,
- (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount or the Make-Whole Amount, including the method of calculating the Amortised Face Amount,
- (vi) to vary the currency or currencies of payment or denomination of the Notes, or
- (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution,

in which case the necessary quorum shall be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in nominal amount of the Notes for the time being outstanding.

Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders. The Trust Deed provides that a resolution in writing signed by or on behalf of holders of not less than 90 per cent, of the aggregate nominal amount of Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held.

(b) **Modification of the Trust Deed:** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5(l). Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

- (c) **Substitution:** The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of any Relevant Subsidiary or any wholly-owned Subsidiary (other than an Excluded Subsidiary) of the Issuer subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer, ⁸[(ii) such Relevant Subsidiary or wholly-owned Subsidiary holding the Distribution Licence or, if and, to the extent that, such Relevant Subsidiary or wholly-owned Subsidiary or the Issuer does not hold the Distribution Licence, an unconditional and irrevocable guarantee in respect of the Notes being provided by the Relevant Subsidiary and/or a wholly-owned Subsidiary of the Issuer which holds the Distribution Licence,] (iii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (iv) certain other conditions set out in the Trust Deed being complied with. Where the Notes are to have the benefit of a guarantee provided by the Issuer and a Relevant Subsidiary or a wholly-owned Subsidiary as aforesaid, such guarantee shall be on a joint and several basis.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

13 ENFORCEMENT

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

15 REPLACEMENT OF NOTES, CERTIFICATES, COUPONS AND TALONS

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the

⁸ Only applicable where SHEPD, SSEN Transmission or SEPD is the Issuer.

Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

16 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

17 NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

17A AVAILABLE INFORMATION

This Condition 17A applies to Notes in respect of which the applicable Final Terms indicates that the Step Up Option is applicable.

In respect of each financial year of the SSE Group, beginning with the financial year of the SSE Group in which the Issue Date of the first tranche of the Sustainability-Linked Notes falls, SSE will publish on its website, and, in accordance with applicable laws, (i) its Renewable Energy Output, 2018 Carbon Intensity (Electricity Generation) Baseline, Carbon Intensity (Electricity Generation) Amount, Carbon Intensity (Electricity Generation) Percentage, 2018 Absolute GHG Emissions Baseline, Absolute GHG Emissions Amount and Absolute GHG Emissions Percentage, as indicated in its sustainability report (the “**Sustainability Report**”), and (ii) an assurance report issued in respect of such statement issued by the External Verifier (the “**Assurance Report**”) in respect of the Renewable Energy Output, Carbon Intensity (Electricity Generation) Amount and Absolute GHG Emissions Amount provided in the Sustainability Report (the publication of the Sustainability Report and the Assurance Report together the “**Reporting Condition**”). The Sustainability Report and the Assurance Report will be published concurrently with the publication of the independent auditor’s reports on the annual reports and will have the same reference date as the relevant independent auditor’s report; provided that to the extent SSE reasonably determines that additional time is required to complete the Sustainability Report and the Assurance Report, then the Sustainability Report and the Assurance Report may be published as soon as reasonably practicable, but in no event later than 45 days, subsequent to the date of publication of the independent auditor’s report.

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19 DEFINITIONS

For the purposes of these Conditions:

“**Accountants’ Report**” means a report of the Reporting Accountants stating whether the amounts included in the calculation of the Operating Profit and the amount for Consolidated Operating Profit as included in the Directors’ Report have been accurately extracted from the accounting records of the Issuer and its consolidated subsidiaries and whether the Disposal Percentage included in the Directors’ Report has been correctly calculated which will be prepared pursuant to an engagement letter to be entered into by the Reporting Accountants and the Issuer.

The Issuer shall use reasonable endeavours to procure that there shall at the relevant time be Reporting Accountants who have (a) entered into an engagement letter with the Issuer which shall (i) not limit the liability of the Reporting Accountants by reference to a monetary cap, (ii) permit the Trustee to receive a copy of, and rely upon, any Accountants’ Reports produced by them and (iii) be available for inspection by Noteholders at the principal office of the Trustee or (b) agreed to provide Accountants’ Reports on such other terms as the Issuer and the Trustee, in its absolute discretion, shall approve.

If the Issuer, having used reasonable endeavours, is unable to procure that there shall at the relevant time be Reporting Accountants who have entered into an engagement letter complying with (i) above, the Trustee may rely on an Accountants’ Report (whether or not addressed to it) which contains a limit on the liability of the Reporting Accountants by reference to a monetary cap or otherwise.

Investors should be aware that the engagement letter may contain a limit on the liability of the Reporting Accountants which may impact on the interests of Noteholders.

If the Issuer, having used reasonable endeavours, is unable to procure that there shall at the relevant time be Reporting Accountants who have entered into an engagement letter complying with (ii) above, the Issuer shall procure that the Directors’ Report shall state whether or not the Accountants Report confirms whether or not (x) the amounts referred to in the first paragraph of this definition have been so correctly extracted and (y) the relevant Disposal Percentage has been correctly calculated and, if applicable, shall give details of any respects in which the Accountants’ Report reaches a different conclusion from that stated in the Directors’ Report. In the event that the Accountants’ Report does not confirm that such amounts have been correctly extracted and/or correctly calculated, the Issuer shall, as soon as reasonably practicable, provide the Trustee with a revised Directors’ Report which states that the Accountants’ Report confirms the details referred to in (x) and (y) above in relation to the contents of such revised Directors Report. The Trustee may rely upon the revised Directors’ Report regardless of the contents of any previous Directors’ Report delivered as contemplated by this paragraph.

The Issuer shall give notice in writing to the Trustee of the identity of the Reporting Accountants at any relevant time;

“**Balancing and Settlement Code**” means the document as may be modified from time to time, setting out the balancing and settling arrangements established by National Grid Electricity Transmission plc or any other successor system or operator pursuant to its distribution licence;

“**Capital and Reserves**” means the aggregate of:

- (i) the amount paid up or credited as paid up on the share capital of the Issuer; and
- (ii) the total of the capital, revaluation and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding

sums set aside for taxation and amounts attributable to minority interests and deducting any debit balance on the profit and loss account,

all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Group prepared in accordance with generally accepted accounting principles in the United Kingdom, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account of the Issuer since the date of that balance sheet and further adjusted as may be necessary to reflect any change since the date of that balance sheet in the Subsidiary Undertakings comprising the Group and/or as the Auditors (as defined in the Trust Deed) may consider appropriate.

A report by the Auditors as to the amount of the Capital and Reserves at any given time shall, in the absence of manifest error, be conclusive and binding on all parties;

“Change of Control” means the occurrence of an event whereby any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006 as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006 as amended) in (A) more than 50 per cent, of the issued or allotted ordinary share capital of the Issuer or (B) shares in the capital of the Issuer carrying more than 50 per cent, of the voting rights normally exercisable at a general meeting of the Issuer;

“Change of Control Period” means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

a **“Change of Control Put Event”** occurs on the date of the last to occur of (a) a Change of Control, (b) either a Change of Control Rating Downgrade or, as the case may be, a Change of Control Negative Rating Event and (c) the Confirmation;

a **“Change of Control Rating Downgrade”** shall be deemed to have occurred in respect of a Change of Control if the then current rating assigned to the Notes by any Rating Agency at the invitation of the Issuer (or where there is no rating from any Rating Agency assigned at the invitation of the Issuer, the then current rating (if any) assigned to the Notes by any Rating Agency of its own volition) is withdrawn or reduced from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or, if the Rating Agency shall then have already rated the Notes below investment grade (as described above), the rating is lowered one full rating category (from BB+/Ba1 to BB/Ba2 or such similar lowering);

a **“Change of Control Negative Rating Event”** shall be deemed to have occurred if at such time as there is no rating assigned to the Notes by a Rating Agency (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Notes, or any other unsecured and unsubordinated debt of the Issuer or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain such a rating of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being) by the end of the Change of Control Period, provided that in either case, there is at least one Rating Agency in operation at such time from whom to obtain such a rating. If there is no Rating Agency so in operation no Change of Control Negative Rating Event shall be deemed to occur;

a **“Clean-Up Call Option”** may be exercised by the Issuer in the event that Notes representing an aggregate amount equal to or exceeding 80 per cent. of the initial aggregate nominal amount of the Notes of the same Series have been redeemed or purchased and, in each case, cancelled;

“Consolidated Operating Profit” means the consolidated operating profit on ordinary activities before tax and interest and before taking account of depreciation and amortisation of goodwill and regulatory assets (and, for the avoidance of doubt, excluding the impact of IAS 39 and exceptional items, as reflected in the Relevant Accounts) of the Issuer (including any share of operating profit of associates and joint ventures) determined in accordance with International Financial Reporting Standards (“IFRS”) by reference to the Relevant Accounts;

“Directors’ Report” means a report prepared and signed by two directors of the Issuer addressed to the Trustee setting out the Operating Profit, the Consolidated Operating Profit and the Disposal Percentage (in each case in relation to the relevant Disposed Assets), stating any assumptions which the directors have employed in determining, in each case, the Operating Profit, confirming whether or not a SSE Restructuring Event has occurred and, where applicable, containing the relevant confirmation referred to in the definition of **“Accountants Report”** above (and includes any revision made to any previous report);

“Disposal Percentage” means, in relation to a sale, transfer, lease or other disposal or dispossession of any Disposed Assets, the ratio of (a) the aggregate Operating Profit to (b) the Consolidated Operating Profit, expressed as a percentage;

“Disposed Assets” means, where the Issuer and/or any of its subsidiaries sells, transfers, leases or otherwise disposes of or is dispossessed by any means (but excluding sales, transfers, leases, disposals or possessions which, when taken together with any related lease back or similar arrangements entered into in the ordinary course of business, have the result that Operating Profit directly attributable to any such undertaking, property or assets continues to accrue to the Issuer or, as the case may be, such subsidiary), otherwise than to a wholly-owned subsidiary of the Issuer or to the Issuer, of the whole or any part (whether by a single transaction or by a number of transactions whether related or not) of its undertaking or (except in the ordinary course of business of the Issuer or any such subsidiary) property or assets, the undertaking, property or assets sold, transferred, leased or otherwise disposed of or of which it is so dispossessed;

“Distribution Licence” means the distribution licence granted to the Issuer under Section 6(l)(c) of the Electricity Act, as amended by Section 30 of the Utilities Act, and from time to time, any other replacement licence or licences or exemptions granted or issued by any relevant authority or person in the United Kingdom to the Issuer which entitles the Issuer to distribute electricity in the United Kingdom or any part thereof;

“Electricity Act” means the Electricity Act 1989 as amended or re-enacted from time to time and all subordinate legislation made pursuant thereto;

“Excluded Subsidiary” means any Subsidiary of the Issuer:

- (i) which is a single purpose company whose principal assets and business are constituted by the ownership, acquisition, development and/or operation of an asset;
- (ii) none of whose Indebtedness For Borrowed Money in respect of the financing of such ownership, acquisition, development and/or operation of an asset is subject to any recourse whatsoever to any member of the Group (other than such Subsidiary or another Excluded Subsidiary) in respect of the repayment thereof, except as expressly referred to in paragraph (ii) of the definition of Project Finance Indebtedness; and
- (iii) which has been designated as such by the Issuer by written notice to the Trustee,

provided that the Issuer may give written notice to the Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary;

“Gas and Electricity Markets Authority” means the authority so named and established under Section 1 of the Utilities Act or, as the case may be, any other competent authority;

“**Group**” means the Issuer and its Subsidiary Undertakings and “**member of the Group**” shall be construed accordingly;

“**Indebtedness For Borrowed Money**” means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;

“**Independent Financial Adviser**” means a financial adviser appointed by the Issuer and approved by the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders) or, if the Issuer shall not have appointed such an adviser within 21 days after becoming aware of the occurrence of a Restructuring Event and the Trustee is indemnified and/or secured to its satisfaction against the costs of such adviser, appointed by the Trustee following consultation with the Issuer;

a “**Negative Rating Event**” shall be deemed to have occurred if (A) the Issuer does not, either prior to or not later than 14 days after the date of a Negative Certification in respect of the relevant Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain, a rating of the Notes or (B) if it does so seek and use such endeavours, it is unable, as a result of such Restructuring Event, to obtain such a rating of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being);

“**Operating Profit**”, in relation to any Disposed Assets, means the operating profits on ordinary activities before tax and interest and before taking account of depreciation and amortisation of goodwill and regulatory assets (and, for the avoidance of doubt, excluding the impact of IAS 39 and exceptional items, as reflected in the Relevant Accounts) of the Issuer and its consolidated subsidiaries directly attributable to such Disposed Assets as determined in accordance with IFRS by reference to the Relevant Accounts and, if Relevant Accounts do not yet exist, determined in a manner consistent with the assumptions upon which the Directors’ Report is to be based. Where the Directors of the Issuer have employed assumptions in determining the Operating Profit, those assumptions should be clearly stated in the Directors’ Report;

“**Principal Subsidiary**” at any time shall mean:

- (i) any Relevant Subsidiary; or
- (ii) any Subsidiary of the Issuer (not being an Excluded Subsidiary or any other Subsidiary of the Issuer at least 90 per cent, in nominal amount of whose Indebtedness For Borrowed Money is Project Finance Indebtedness):
 - (A) whose (a) profits on ordinary activities before tax or (b) net assets represent 20 per cent., or more of the consolidated profits on ordinary activities before tax of the Issuer or, as the case may be, consolidated net assets of the Issuer, in each case as calculated by reference to the then latest audited financial statements of such Subsidiary (consolidated in the case of a Subsidiary which itself has subsidiaries) and the then latest audited consolidated financial statements of the Issuer provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest relevant audited consolidated financial statements of the Issuer relate, the reference to the then latest audited consolidated financial statements of the Issuer for the purposes of the calculation above shall, until consolidated financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned financial statements as if such Subsidiary had been shown in such financial statements by reference to its then latest relevant audited financial statements (consolidated in the case of a Subsidiary which itself has subsidiaries), adjusted as deemed appropriate by the Auditors after consultation with the Issuer; or

- (B) to which is transferred all or substantially all of the business, undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Principal Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall become a Principal Subsidiary under the provisions of this sub-paragraph (B) upon publication of its next audited financial statements but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary of the Issuer on or at any time after the date on which such audited financial statements have been published by virtue of the provisions of sub-paragraph (A) above or before, on or at any time after such date by virtue of the provisions of this sub-paragraph (B).

A report by the Auditors that, in their opinion, a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Noteholders;

“Project Finance Indebtedness” means any present or future indebtedness incurred to finance the ownership, acquisition, development and/or operation of an asset, whether or not an asset of a member of the Group:

- (i) which is incurred by an Excluded Subsidiary; or
- (ii) in respect of which the person or persons to whom any such indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than an Excluded Subsidiary) for the repayment thereof other than:
 - (A) recourse for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset; and/or
 - (B) recourse for the purpose only of enabling amounts to be claimed in respect of such indebtedness in an enforcement of any encumbrance given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such indebtedness, provided that (aa) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement and (bb) such person or persons is/are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness, to commence proceedings for the winding up or dissolution of any member of the Group (other than an Excluded Subsidiary) or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of any member of the Group (other than an Excluded Subsidiary) or any of its assets (save for the assets the subject of such encumbrance); and/or
 - (C) recourse under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof or any obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by any member of the Group (other than an Excluded Subsidiary);

References to the Notes being “rated” are to the Notes having a rating from a Rating Agency;

“Public Announcement” means an announcement made by the Issuer of the occurrence of an SSE Restructuring Event in accordance with Condition 17;

“Rated Securities” means the Notes, if and for so long as they shall have an effective rating from a Rating Agency and otherwise any Rateable Debt which is rated by a Rating Agency; provided that if there shall be no such Rateable Debt outstanding prior to the maturity of the Notes, the holders of not less than one-quarter in principal amount of outstanding Notes may require the Issuer to obtain and thereafter update on an annual

basis a rating of the Notes from a Rating Agency. In addition, the Issuer may at any time obtain, and thereafter update, on an annual basis a rating of the Notes from a Rating Agency, provided that, except as provided above, the Issuer shall not have any obligation to obtain such a rating of the Notes;

“Rating Agency” means S&P Global Ratings or any of its Subsidiaries and their successors (**“S&P”**) or Moody’s Investors Service, Inc. or any of its Subsidiaries and their successors (**“Moody’s”**) or any rating agency (a **“Substitute Rating Agency”**) substituted for any of them (or any permitted substitute of them) by the Issuer from time to time with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders);

“Relevant Accounts” means the most recent annual audited consolidated financial accounts of the Issuer preceding the relevant sale, transfer, lease or other disposal or dispossession of any Disposed Asset;

“Relevant Potential Change of Control Announcement” means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs;

a **“Rating Downgrade”** shall be deemed to have occurred in respect of a Restructuring Event if the then current rating assigned to the Notes by any Rating Agency (whether provided by a Rating Agency at the invitation of the Issuer or by its own volition) is withdrawn or reduced from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Bal, or their respective equivalents for the time being, or worse) or, if the Rating Agency shall then have already rated the Notes below investment grade (as described above), the rating is lowered one full rating category (from BB+/Bal to BB/Ba2 or such similar lowering);

“Relevant Indebtedness” means any present or future indebtedness (whether being principal, premium, interest or other amounts) in the form of or represented by notes, bonds, debentures, debenture stock, loan stock or other securities, whether issued for cash or in whole or in part for a consideration other than cash, and which, with the agreement of the person issuing the same, are quoted, listed or ordinarily dealt in on any stock exchange or recognised over-the-counter or other securities market, but shall in any event not include Project Finance Indebtedness;

“Relevant Subsidiary” means a wholly-owned Subsidiary of the Issuer or of another Relevant Subsidiary which is a guarantor in respect of, or is a primary obligor under, the Notes as contemplated in Condition 12(c) or paragraph (i)(c) of the definition of Restructuring Event;

“Reporting Accountants” means the auditors for the time being of the Issuer (but not acting in their capacity as auditors) or such other firm of accountants as may be nominated by the Issuer and approved in writing by the Trustee for the purpose (such approval not to be unreasonably withheld or delayed having regard to the interests of the Noteholders) or, failing which, as may be selected by the Trustee for the purpose;

“Restructuring Event” means the occurrence of any one or more of the following events:

- (i) (a) the Balancing and Settlement Code is terminated and not replaced by one or more agreements, commercial arrangements the Gas and Electricity Markets Authority (or any successor) gives the Issuer or, as the case may be, a Relevant Subsidiary, written notice of revocation of the Distribution Licence, provided that the giving of notice pursuant to paragraph 3 of Part I of the Distribution Licence as in effect on the date on which agreement is reached to issue the first Tranche of the Notes, shall not be deemed to constitute the revocation of the Distribution Licence; or
- (b) the Issuer or, as the case may be, a Relevant Subsidiary agrees in writing with the Secretary of State (or any successor) to any revocation or surrender of the Distribution Licence; or

- (c) any legislation (whether primary or subordinate) is enacted terminating or revoking the Distribution Licence, except in any such case in circumstances where a licence or licences on (in the opinion of the Trustee after consultation with the Issuer) no less favourable terms is or are granted to the Issuer or a Relevant Subsidiary and in the case of such Relevant Subsidiary at the time of such grant it either executes in favour of the Trustee an unconditional and irrevocable guarantee in respect of the Notes in such form as the Trustee may approve (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders) or becomes the primary obligor (jointly or severally where appropriate) under the Notes in accordance with Condition 12(c); or
- (iii) any modification, other than a modification which is of a formal, minor or technical nature, is made to the terms and conditions of the Distribution Licence on or after the date on which agreement is reached to issue the first Tranche of the Notes unless two directors of the Issuer certify to the Trustee (upon which certification the Trustee shall be entitled to rely absolutely without liability) that such modified terms and conditions are not materially less favourable to the business of the Issuer; or
- (iv) any legislation (whether primary or subordinate) is enacted removing, reducing or qualifying the duties or powers of the Secretary of State for Trade and Industry (or any successor) and/or the Gas and Electricity Markets Authority (or any successor) under Section 3A of the Electricity Act unless two directors of the Issuer have certified in good faith to the Trustee (upon which certification the Trustee shall be entitled to rely absolutely without liability) that the legislation is not materially adverse to the business of the Group; or
- (v)
 - (a) the Balancing and Settlement Code is terminated and not replaced by one or more agreements, commercial arrangements or open market mechanisms or frameworks, in each case on terms which two directors of the Issuer certify in good faith to the Trustee (upon which certification the Trustee shall be entitled to rely absolutely without liability) to be not materially less favourable to the business of the Group; or
 - (b) the Issuer or, as the case may be, a Relevant Subsidiary is given an Expulsion Notice (as defined in the Balancing and Settlement Code) pursuant to Section A.5.2.4 of the Balancing and Settlement Code requiring it to cease to be a party thereto; or
 - (c) there shall have occurred a Default (as defined in the Balancing and Settlement Code) under Section H.3.1.1 of the Balancing and Settlement Code in relation to the Issuer or, as the case may be, a Relevant Subsidiary, and such default remains unremedied or unwaived; or
 - (d) the Issuer or, as the case may be, a Relevant Subsidiary ceases to be a party to the Balancing and Settlement Code for any reason (other than pursuant to (b) and (c) above) except where a Distribution Licence is granted to a Relevant Subsidiary or, as the case may be, another Relevant Subsidiary as contemplated by paragraph (a) above and at or about the same time all rights and obligations of the Issuer or, as the case may be, a Relevant Subsidiary, pursuant to the Balancing and Settlement Code, which are attributable to such licence are assigned and transferred to such Relevant Subsidiary in such manner as the Trustee may approve (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders) or such Relevant Subsidiary enters into one or more agreements, commercial arrangements or open market mechanisms or frameworks in relation to such licence which two directors of the Issuer certify to the Trustee (upon which certification the Trustee shall be entitled to rely absolutely without liability) to be not materially less favourable to the business of the Group; or
 - (e) any modification is made to the Balancing and Settlement Code in accordance with its terms or any legislation (whether primary or subordinate) is enacted terminating or modifying the Balancing and Settlement Code, provided that any such modification is material in the context

of the rights and obligations of the Issuer or, as the case may be, a Relevant Subsidiary under the Balancing and Settlement Code; and provided further that any modification shall to the extent it grants or confers powers or discretions on the Gas and Electricity Markets Authority (or any successor) under or in respect of the Balancing and Settlement Code be deemed not to be material as aforesaid, but for the avoidance of doubt, any modification to the Balancing and Settlement Code made by the Gas and Electricity Markets Authority (or any successor) by virtue of or pursuant to any such powers or discretions and which otherwise would be a material modification as provided above shall not, by virtue of this provision be deemed not to be material;

A “**Restructuring Event Put Event**” occurs on the date of the last to occur of (a) a Restructuring Event, (b) either a Rating Downgrade or, as the case may be, a Negative Rating Event, (c) the Confirmation and (d) the relevant Negative Certification;

“**Restructuring Period**” means:

- (i) if at any time a Restructuring Event occurs the Notes are rated, the period of 90 days starting from and including the day on which that Restructuring Event occurs; or
- (ii) at the time a Restructuring Event occurs the Notes are not rated, the period starting from and including the day on which that Restructuring Event occurs and ending on the day 90 days following the later of (a) the date on which the Issuer shall seek to obtain a rating as contemplated in the definition of Negative Rating Event prior to the expiry of the 14 days referred to in that definition and (b) the date on which a Negative Certification shall have been given to the Issuer in respect of that Restructuring Event;

(or, in each case, such longer period in which the Rated Securities are under consideration (such consideration having been announced publicly within the first mentioned 90 day period) for rating review or, as the case may be, rating by a Rating Agency);

“**Secretary of State**” means the Secretary of State for Business, Enterprise and Regulatory Reforms (or any successor);

“**SSE Negative Rating Event**” shall be deemed to have occurred if at the time of the SSE Restructuring Event there are no Rated Securities and either:

- (i) the Issuer does not, either prior to or not later than 21 days after the relevant SSE Restructuring Event, seek, and thereafter throughout the SSE Restructuring Period use all reasonable endeavours to obtain, a rating of the Notes or any other unsecured and unsubordinated debt of the Issuer having an initial maturity of five years or more (“**Rateable Debt**”) from a Rating Agency; or
- (ii) if the Issuer does so seek and use such endeavours, it is unable, as a result of such SSE Restructuring Event, to obtain a rating from a Rating Agency within the SSE Restructuring Period of at least BBB or Baa2 (or their respective equivalents for the time being),

provided that in either case there is at least one Rating Agency in operation at such time from whom to obtain such a rating, and if there is no Rating Agency in operation no SSE Negative Rating Event will be deemed to occur. The Issuer shall promptly notify the Trustee in writing of the date on which it first seeks to obtain the rating referred to in paragraph (a) above;

“**SSE Rating Downgrade**” shall be deemed to have occurred in respect of the SSE Restructuring Event if the then current rating assigned to the Rated Securities by any Rating Agency at the invitation of the Issuer (or where there is no rating from any Rating Agency assigned at the invitation of the Issuer, the then current rating (if any) assigned to the Rated Securities by any Rating Agency of its own volition) is: (i) withdrawn or reduced from a rating of at least BBB or Baa2 (or their respective equivalents for the time being) to a rating below BBB or Baa2 (or their respective equivalents for the time being) or, (ii) if a Rating Agency shall

already have rated the Rated Securities below BBB or Baa2 (or their respective equivalents for the time being), the rating is lowered at least one full rating notch (for example, BBB/ Baa2 to BBB-/Baa3 (or, in each case, their respective equivalents for the time being); provided that a SSE Rating Downgrade otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular SSE Restructuring Event if the Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce publicly or confirm in writing to the Issuer or the Trustee that its decision resulted, in whole or in part, from the occurrence of, or any event or circumstance comprised in or arising as a result of, or in respect of, the applicable SSE Restructuring Event (whether or not the SSE Restructuring Event shall have occurred at the time of the SSE Rating Downgrade);

“**SSE Restructuring Event**” shall be deemed to have occurred at any time (whether or not approved by the board of directors of the Issuer) if the sum of all (if any) Disposal Percentages arising within any period of 36 consecutive months commencing on or after the date on which agreement is reached to issue the first Tranche of the Notes is greater than 30 per cent.; and

“**SSE Restructuring Period**” means:

- (i) if at the time a SSE Restructuring Event occurs there are Rated Securities, the period of 90 days beginning on and including the date of the relevant Public Announcement; or
- (ii) if at the time a SSE Restructuring Event occurs there are no Rated Securities, the period beginning on and including the day on which such SSE Restructuring Event occurs and ending on the day 90 days

following the later of (a) the date on which the Issuer shall seek to obtain a rating as contemplated in the definition of SSE Negative Rating Event prior to the expiry of the 21 days referred to in that definition and (b) the date of the relevant Public Announcement,

(or, in each case, such longer period in which the Rated Securities are under consideration (such consideration having been announced publicly within the first mentioned 90 day period) for rating review or, as the case may be, rating by a Rating Agency);

“**Subsidiary**” means a subsidiary within the meaning of Section 1159 of the Companies Act 2006;

“**Subsidiary Undertaking**” shall have the meaning given to it by Section 1162 of the Companies Act 2006 (but, in relation to the Issuer, shall exclude any undertaking (as defined in Section 1161 of the Companies Act 2006) whose accounts are not included in the then latest published audited consolidated accounts of the Issuer, or (in the case of an undertaking which has first become a subsidiary undertaking of a member of the Group since the date as at which any such audited accounts were prepared) would not have been so included or consolidated if it had become so on or before that date);

“**Utilities Act**” means the Utilities Act 2000 as amended or re-enacted from time to time and all subordinate legislation made pursuant thereto; and

“**wholly-owned Subsidiary**” means a 100 per cent. owned Subsidiary of the Issuer.

Any reference to an obligation being guaranteed shall include a reference to an indemnity being given in respect of such obligation.

20 GOVERNING LAW

The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 INITIAL ISSUE OF NOTES

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, (i) they will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper and (ii) the relevant clearing systems will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is a CGN, upon the initial deposit of the Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the relevant Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depository may also be credited (if indicated in the relevant Final Terms) to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3 EXCHANGE

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*Overview of the Programme — Selling Restrictions*”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

In relation to any issue of Notes which is represented by a Temporary Global Note which is expressed to be exchangeable for definitive Bearer Notes at the option of Noteholders, such Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination and multiples thereof).

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

- (i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or
- (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Trustee of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Permanent Global Certificates

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if principal in respect of any Notes is not paid when due; or (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due.

3.5 Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 Exchange Date

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

4 AMENDMENT TO CONDITIONS

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN, the Issuer shall procure that details of each such payment shall be

entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 8(h).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means each Monday, Tuesday, Wednesday, Thursday and Friday except 25 December and 1 January.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

4.3 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries provided that they are purchased together with the rights to receive all future payments of interest thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of account holders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent for notation. Where the Global Note is a NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

4.8 NGN nominal amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

4.9 Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

4.10 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

5 Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding (an “**Electronic Consent**”) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum (as provided for in the Trust Deed) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be

entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing systems with entitlements to such Global Note or Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

An amount equal to the net proceeds from each issue of each Tranche of Notes will be applied, as indicated in the applicable Final Terms, either:

- (a) for general corporate purposes; or
- (b) exclusively to finance or refinance, in whole or in part, Eligible Green Projects.

“**Eligible Green Projects**” means (i) projects relating to the production of renewable electricity from onshore and offshore wind power and (ii) projects relating to onshore renewable energy transmission network infrastructure.

Eligible Green Projects will be selected on the basis of a set of environmental and social criteria determined by the Issuer and made available in the investor relations section of the Issuer’s website (<http://sse.com/investors/>), as well as an external review which will be provided by an able and independent consultant.

Only Tranches of Notes exclusively financing or refinancing Eligible Green Projects will be designated “Green Bonds” and will be identified as such in the relevant Final Terms.

GREEN BOND FRAMEWORK

On 16 September 2019, SSE published a green bond framework in accordance with the 2018 edition of the Green Bond Principles published by the Executive Committee of the Green Bond Principles with the support of the International Capital Market Association (ICMA).

The SSE Green Bond Framework is available at: <https://www.sse.com/media/qcmiagvl/sse-s-2021-green-bonds-framework.pdf>.

SSE has appointed DNV GL to assess the sustainability of SSE Green Bond Framework. DNV GL has reviewed the content as well as its alignment with the GBP, providing SSE with a second party opinion. The objective of this opinion is to provide investors with an independent assessment on the SSE Green Bond Framework. The second party opinion provided by DNV GL is available at: <https://www.sse.com/media/mmncffis/dnv-s-2021-green-bond-opinion-on-sse-s-green-bond-framework.pdf>.

DESCRIPTION OF THE ISSUERS

SSE plc (“SSE”) was incorporated with limited liability in Scotland under the Companies Act 1985 with registration number SC117119 on 1 April 1989 for an unlimited term. SSE was originally incorporated as North of Scotland Electricity plc., and on 1 August 1989 it changed its name to Scottish Hydro-Electric plc. In December 1998, Scottish Hydro-Electric plc merged with Southern Electric plc, whereby Scottish Hydro-Electric plc acquired Southern Electric plc and subsequently changed its name on 14 December 1998 to Scottish and Southern Energy plc, with a further name change to SSE plc on 30 September 2011 (SSE and its subsidiaries being the “SSE Group”). SSE is the broadest energy-based company in the UK, being the only company operating in the generation, transmission, distribution and supply of energy. It has a market capitalisation of £16.8 billion and was the 26th largest company in the FTSE 100 as at 30 September 2021. The address of SSE’s registered office is Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ and the telephone number of the main switchboard at the registered office is 01738 456 724. The website of SSE is sse.com. No information on such website forms part of this Prospectus except as specifically incorporated by reference, see “Documents Incorporated by Reference”.

SSE is a holding company and depends on the dividends, distributions and other payments from its subsidiaries to fund its operations.

Board of Directors of SSE

As at the date of this Prospectus, the members of the Board of Directors of SSE, all of Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ, UK are as follows:

Name	Title
Sir John Manzoni KCB	Chair
Alistair Phillips-Davies	Chief Executive
Gregor Alexander	Finance Director
Martin Pibworth	Energy Director
Tony Cocker	Non-Executive Director
Peter Lynas	Non-Executive Director
Dame Susan Bruce DBE	Non-Executive Director
Helen Mahy CBE	Non-Executive Director
Melanie Smith CBE	Non-Executive Director
Dame Angela Strank DBE	Non-Executive Director
The Rt Hon Elish Angiolini QC	Non-Executive Director
Debbie Crossbie	Non-Executive Director

The members of the Board of Directors of SSE have the following significant outside activities:

- **Sir John Manzoni KCB** is a Non-Executive Director at Diageo and Chair of the Atomic Weapons Establishment.
- **Alistair Phillips-Davies** is a member of the Scottish Energy Advisory Board and the UK Government’s Hydrogen Advisory Council.
- **Gregor Alexander** is a Director of Scotia Gas Networks Ltd and a non-Executive Director of Stagecoach Group plc.
- **Martin Pibworth** is a Member of Energy UK Board.

- **Tony Cocker** is Chair of Infinis Energy Management Ltd and Deputy Chair and Governor of Warwick Independent Schools Foundation.
- **Peter Lynas** currently has no key external appointments.
- **Dame Susan Bruce DBE** is Convenor of Court of the University of Strathclyde, Trustee of the Prince's Foundation, Chair of the Royal Scottish National Orchestra, Electoral Commissioner for the Electoral Commission, and Independent Chair of Nominations Committee for National Trust Scotland.
- **Helen Mahy CBE** is Chair of Renewables Infrastructure Group Ltd.
- **Melanie Smith CBE** is CEO of Ocado Retail Limited, Trustee at Sadlers Wells and Advisory Board member of Manaia.
- **Dame Angela Strank DBE** is a Non-Executive Director at Severn Trent plc, Mondi plc and Rolls Royce plc.
- **The Rt Hon Elish Angiolini QC** is Principal of St Hugh's College, Oxford, Pro-Vice Chancellor of Oxford University, Chancellor of the University of the West of Scotland, Chair of the Disciplinary Board of the Institute of Chartered Accountants of Scotland (ICAS) and a non-Executive Board member of the Medical and Dental Defence Union of Scotland.
- **Debbie Crosbie** is Chief Executive Officer of TSB.

There are no potential conflicts of interest between the duties of any of the members of the Board of Directors of SSE and his/her private interests and/or other duties.

Acquisitions and Disposals

Sale of Contracting and Rail business

On 1 April 2021, the SSE Group entered into an agreement to sell its Contracting and Rail business to the Aurelius Group ("**Aurelius**") at an enterprise value of £27.5 million. The consideration comprises an upfront consideration of £17.5 million, which will be adjusted for working capital, separation costs and debt-like items, a £5 million loan note to be issued by Aurelius on completion which will be repayable in 2026, unless prepaid earlier, with a fixed payment-in-kind interest rate of 6 per cent. payable and up to £5 million in an earn out based upon Financial Year 2021/22 earnings before interest, taxes, depreciation and amortisation performance. The sale process completed on 30 June 2021.

Sale of stake in Scotia Gas Networks Ltd

On 2 August 2021, the SSE Group entered into an agreement to sell its entire 33.3 per cent. stake in gas distribution operator Scotia Gas Networks Ltd ("**SGN**") to a consortium comprising existing SGN shareholder Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners (the "**Consortium**").

The transaction is based on an effective economic date of 31 March 2021 and is for a consideration of £1,225 million in cash. It is expected to complete within the current financial year and is conditional on certain regulatory approvals.

The SSE Group initially acquired a 50 per cent. equity share in SGN in 2005 for a total of £505 million, before selling a 16.7 per cent. equity share to a wholly-owned subsidiary of the Abu Dhabi Investment Authority ("**ADIA**") in 2016. The Consortium has also agreed to acquire the 16.7 per cent. equity share in SGN owned by ADIA.

SGN is the parent company of Scotland Gas Networks plc and Southern Gas Networks plc, two of the eight regulated gas distribution networks in England, Wales and Scotland, in addition to SGN Natural Gas Ltd, which provides gas to customers in the west of Northern Ireland as well as other non-regulated ancillary businesses. SGN

is focused on sustainability, having committed to ensuring all its business operations are net zero by 2045, and is taking a leadership role in supporting the transition to a hydrogen economy.

Sale of Gas Exploration and Production assets

On 14 October 2021, the SSE Group completed the sale of all of its interests in its portfolio of gas exploration and production assets to Viaro Energy via its subsidiary RockRose Energy Limited. In the six-month period ended 30 September 2021, the Gas Production business had an operating profit (recognised in discontinued operations) of £77.7 million. The SSE Group recorded an exceptional impairment charge of £93.9 million for the six-month period ended 30 September 2021 related to the carrying value of the Gas Production assets and liabilities held for sale, based on their fair value less costs to sell. The additional loss on sale, not recognised at 30 September 2021, but due to the buyer based on production between 1 October 2021 and 14 October 2021 is estimated at £24.1 million. This has arisen due to the lock box mechanism effective 1 April 2019 within the sale agreement and will be recognised in the second half of the 2021/22 financial year.

Acquisition of 80 per cent. equity interest in Japanese offshore wind development platform

On 30 October 2021, the SSE Group acquired an 80 per cent. equity interest in an offshore wind development platform from Pacifico Energy and its affiliates to form a new joint ownership company in Japan, SSE Pacifico K.K. The total consideration was US\$208 million, including US\$30 million of deferred consideration subject to a number of conditions.

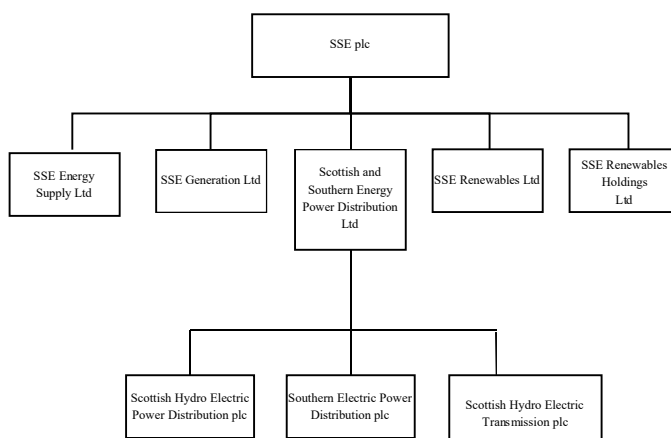
Sale of stake in Dogger Bank Wind Farm

On 2 November 2021, the SSE Group entered into an agreement to sell a 10 per cent. stake in Dogger Bank C to Eni for an equity consideration of £70 million. Dogger Bank is expected to be one of the world's largest offshore wind farms when completed.

Equinor has also sold a 10 per cent. stake to Eni as part of this transaction, so once complete the new overall shareholding in Dogger Bank C will be: SSE (40 per cent.), Equinor (40 per cent.) and Eni (20 per cent.). The transaction completed on 10 February 2022.

The SSE Group

SSE Group — principal subsidiaries as at 30 September 2021



The SSE Group has operations and investments across the UK and Ireland and is involved in the generation, transmission, distribution and supply of electricity, the storage and supply of gas and in the provision of energy-related services. It is a developer (which includes being a builder), an operator and an owner of energy assets and businesses.

The SSE Group delivers energy safely to homes and businesses in GB through its Scottish and Southern Electricity Networks (“SSEN”) businesses. It owns and operates electricity distribution networks in the north of Scotland and central southern England, and the electricity transmission network in the north of Scotland. These businesses distribute energy to homes and workplaces in Scotland and the south of England and are subject to regulatory controls set by OFGEM. Following agreement reached to dispose of the entire 33.3 per cent. equity share in the gas distribution company SGN, this business is now classified as held for sale and as a discontinued operation. (See “*Sale of stake in Scotia Gas Networks Ltd*” above.)

The SSE Group creates value by sourcing and producing energy. It is a leading generator of electricity from renewable sources in the UK and Ireland under the banner of SSE Renewables (as defined herein). Its interests in renewable energy are complemented by ownership and operation of flexible thermal power stations. It owns and operates gas storage facilities in the UK and operates an energy portfolio management division. These wholesale businesses contribute significantly to electricity and gas systems in the UK and Ireland.

SSE supplies energy and provides infrastructure services to business and public sector customers through its Business Energy and Enterprise divisions. It also supplies energy and related services to household customers on the island of Ireland through SSE Airtricity. Business Energy works closely with customers to meet their specific requirements in innovative and sustainable ways. SSE Airtricity provides a range of related services to customers, including green energy. Following the completion of the SSE Group’s sale of its Contracting and Rail business in June 2021, the primary retained activities of the Enterprise business is Distributed Energy which will develop and provide the SSE Group’s solar and battery storage operations and focus on distributed generation, heat and cooling networks, smart buildings and electric vehicle charging. Accordingly, the result from the SSE Group’s out of areas networks business and Neos Networks Limited joint venture will now be reported within SSEN Distribution and Corporate Unallocated respectively.

The SSE Group’s 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.

The SSE Group has a resilient and highly complementary business model built on a mix of market-based and economically regulated businesses, supported by efficient group services. This business mix is strategically deployed across key parts of the energy value chain. Its businesses are engaged in early and late-stage development, innovation, construction, operations and maintenance of low-carbon infrastructure, therefore providing a route to market for clean energy and financing the foundation blocks of net zero through capital allocation and equity partnering.

Recent Market Volatility

Whilst the SSE Group reduces direct exposure to short term commodity price volatility through its business mix, its disciplined application of clearly defined hedging policies and low value-at-risk trading limits, and the recent relatively high and volatile gas and power market prices, have had varying degrees of impact upon several of the SSE Group’s businesses in the six months to 30 September 2021 which can be summarised as follows:

Within SSE Renewables, significantly lower than expected volume output has meant that excess forward sale contracts have had to be ‘bought back’ in the market at higher prices which has had an adverse impact on the trading result.

For SSE Thermal and gas storage, higher market prices and volatility is generally positive for these businesses albeit this is dependent upon plant availability and plant merit order during the period in SSE Thermal’s case.

Both EPM and gas storage, through their respective exposure to unsettled commodity contracts and physical gas inventory, have experienced significant positive unrealised mark-to-market remeasurement gains in the period. However, these businesses are not expected to realise significant gains upon settlement of these contracts, as approximately £1.3 billion of adverse ‘own use’ operating derivatives are excluded from remeasurement under IFRS 9 and are expected to largely offset the unrealised gains.

SSE's Business Energy and Airtricity businesses are not subject to a regulated price cap and therefore variable tariffs are adjusted dynamically and fixed tariff rates are reset for new acquisitions as wholesale costs increase or decrease. Although the businesses are insulated against gas price rises insofar as they are fully hedged, there are external circumstances that would result in hedge adjustments such as weather, supplier failures and post-coronavirus economic impacts. A dynamic forecasting approach has been in place to quickly respond to volume changes. In relation to Airtricity, vertical integration of generation and customer businesses in the Irish market limits commodity exposures.

Finally, the number of retail energy suppliers entering into insolvency processes since early September 2021 has increased collateral requirements of the SSE Group. High energy prices and market volatility has resulted in a significant increase in the collateral requirements required to allow EPM to continue to trade with counterparties and on exchanges as required – to date these increased collateral requirements have been managed by issuing new Letters of Credit, Guarantees and Performance Bonds with no significant cash amounts required.

Impact of coronavirus on the SSE Group

As a result of its resilient business model and the commitment and flexibility of its employees, the SSE Group maintained a safe and reliable supply of electricity throughout 2021 and did not draw on furlough or rates relief in doing so. SSE Renewables, SSEN Transmission (as defined herein) and SSE Thermal were not significantly adversely affected by the coronavirus pandemic and the financial impact on the SSE Group's other businesses' operating profit was restricted to £170 million for the year ended 31 March 2021. For the same period, underlying performance in the core renewables and networks businesses was strong. While the long-term implications from the coronavirus pandemic remain uncertain, the ongoing cost is likely to be felt largely in Business Energy, and any future impact will be assumed within normal business performance.

Networks

SSE has an ownership interest in three economically-regulated electricity network companies: (i) Scottish Hydro Electric Transmission plc (100 per cent.); (ii) Scottish Hydro Electric Power Distribution plc (100 per cent.); and (iii) Southern Electric Power Distribution plc (100 per cent.). As SSE is in the process of disposing of its current 33.3 per cent. equity holding in Scotia Gas Networks, this business is now classified as held for sale and as a discontinued operation. In this Prospectus, the electricity networks are referred to as “**Networks**”.

The adjusted operating profit for Networks was £488.2 million for the financial year ended 31 March 2021 (£335.0 million in the six month period to 30 September 2021). SSE estimates that the total Regulated Asset Value (“**RAV**”) of its economically-regulated ‘natural monopoly’ business was £7,737 million as at 30 September 2021, up £314 million from £7,423 million as at 31 March 2021. As at 30 September 2021, the RAV comprised around £3,875 million for electricity transmission and £3,862 million for electricity distribution, compared with the RAV as at 31 March 2021 which comprised around £3,631 million for electricity transmission and £3,792 million for electricity distribution.

Owners of energy networks in GB are remunerated according to the “**RIIO**” (Revenue = Incentives + Innovation + Outputs) framework set by OFGEM under which the regulator determines an annual allowed level of required capital expenditure and operating costs, in order to meet required network outputs. These are added together to form total expenditure or “**Totex**”, which is split by defined capitalisation rates which differ between networks.

Regulatory operational expenditure (“**fast money**”) flows into licensee revenue, whereas regulatory capital expenditure (“**slow money**”) is added to the RAV for each network. Licensees earn a return on regulatory equity and receive an allowance for the cost of debt, both of which are calculated based on a notional split of their RAV.

Each licensee has the opportunity to earn above its base return on equity through delivering efficiency savings on Totex. Additionally, if service levels improve against targets, there is an opportunity to earn additional income through incentives. In the event that service levels fall below targets set out in the price control, a penalty will be incurred which reduces network revenue and therefore customer bills. This ensures that customers only compensate

networks for improving service levels. Further, customers benefit from reduced bills when network providers achieve efficiency savings on Totex.

Charges per MWh (“tariffs”) are set by licensees 15 months in advance of the regulatory year and are based on forecasts of: (a) revenue which licensees are entitled to collect in respect of the regulatory year (‘allowed revenue’); (b) the incentives and Totex outperformance for the last three months of the year in which the tariffs are set; and (c) the level of volumes which will be distributed within the regulatory year. Differences in collected versus allowed revenue (referred to as ‘over- or under-recovery’) are accommodated in allowed revenue two years after the year in which they occur.

Electricity Transmission

SSEN Transmission, operating under licence as Scottish Hydro Electric Transmission plc, owns, operates and develops the high voltage electricity transmission system in the north of Scotland and its islands.

Over the duration of the five-year RIIO-T2 price control, which began in April 2021, investment and capital expenditure by SSEN Transmission is expected to total at least £2.8 billion (the “**Certain View**”), including £291.0 million in the first half of 2021/22. Taking the Certain View alone, Transmission RAV is expected to exceed £5 billion by the end of RIIO-T2.

This investment plays a pivotal role in providing the critical national infrastructure required to facilitate the transition to net zero and to maintain network reliability for the communities SSEN Transmission serves as it delivers a network for net zero.

SSEN Transmission has made a strong start to RIIO-T2. In the six months to 30 September 2021, there have been no faults on the transmission network resulting in a loss of supply for demand users, in line with SSEN Transmission’s RIIO-T2 goal to aim for 100 per cent. transmission network reliability for homes and businesses. This strong operational performance also means SSEN Transmission remains on track for the full reward through the annual Energy Not Supplied Incentive.

The RIIO-T2 period is expected to deliver significant growth in the volume of renewables connected to SSEN Transmission’s network, which is forecast to increase from just under 7GW at the start of RIIO-T2 to between 10GW and around 13GW. This includes growth of 1.1GW in the six months to 30 September 2021, primarily driven by the connection of Moray East offshore windfarm (900MW). This brings the total installed capacity connected to the North of Scotland transmission network to 9.1GW, of which 7.85GW is from renewable sources, supporting SSEN Transmission’s RIIO-T2 goal to transport the renewable electricity that powers 10 million homes, which will be met once the installed capacity of renewables reaches 10GW.

The Shetland transmission link is in construction and will see Shetland connected to the GB transmission system for the first time, enabling the connection of renewables and supporting Shetland’s future security of supply. The substation and convertor station sites at Kergord (Shetland) and Noss Head (Caithness) are now taking shape, with most building structures now erected. Work to install the land cable on both shore ends is also under way, with cable duct works progressing well. Subsea boulder clearance works commenced in December 2021 in advance of the subsea cable installation works which will follow from 2022/23 with the project on track for completion in 2024.

The first phase of the Inveraray to Crossaig overhead line replacement project in Argyll was fully energised in July 2021, with work now under way on the second phase from Port Ann to Crossaig, which remains on track for completion by summer 2024.

Progress continues to be made to incrementally increase the capacity of the north east and east coast transmission network to 275kV then to 400kV, with new substations at New Deer (May 2021) and Rothienorman (July 2021) now energised at 275kV, to be subsequently upgraded to 400kV in 2023. The 400kV overhead line upgrade works between Peterhead, Rothienorman and Blackhillock are also under way, due for completion in 2023. The overall upgrade of the east coast network to 400kV remains on track for completion in 2026.

At Alyth, construction of a new substation, including specialist voltage control devices, has commenced with progress also being made at Peterhead substation and an upgrade to Tealing substation, which will help facilitate the connection of the Seagreen offshore wind farm in Q2 2022.

To support SSEN Transmission's 1.5°C science-based target emissions reduction commitments, including its RIIO-T2 goal to deliver a one-third reduction in greenhouse gas emissions, the business remains committed to removing harmful sulphur hexafluoride ("SF6") gases from its infrastructure, working with its supply chain to develop and deliver innovative alternatives to SF6. This includes one of the world's largest installations of a GE Renewable Energy's g³ gas-insulated substation at New Deer substation and the world's first g³ 400kV substation at Kintore.

The Competitions and Markets Authority ("CMA") published its final determination on SSEN Transmission's appeal against certain elements of OFGEM's RIIO-T2 price control settlement on 28 October 2021. Appeals against the assumed 'Outperformance Wedge' were upheld and changes to the Licence Modification Process proposed. However, appeals on the flawed Cost of Equity, or on changes to how Transmission Network Use of System Charges are recovered and the associated risk of under recovery this presents were not upheld. The business remains committed to working constructively with OFGEM and other stakeholders as it continues to take forward ambitious plans to deliver a network for net zero.

During the RIIO-T2 period, SSEN Transmission expects to progress a number of investments over and above its £2.8 billion Certain View to put the North of Scotland on a pathway to net zero. SSEN Transmission expects to unlock these additional investments through OFGEM's Uncertainty Mechanisms. Progress has been made in progressing these additional investments in the first half of the financial years 2021/22, including:

In October 2021, OFGEM published its decision on the Initial Needs Case ("INC") for two high voltage, direct current ("HVDC") links connecting Scotland to England, recognising the clear need for these investments. Work on each of the 2GW links, with a combined estimated cost of £3.4 billion, will now be split into two projects. The Peterhead to Selby link will be progressed jointly by SSEN Transmission and National Grid Electricity Transmission ("NGET"); and the Torness to Hawthorn Pit link will be progressed jointly by SP Energy Networks and NGET. A Final Needs Case remains on track for submission before the end of 2021. With an energisation date of 2029, development and early construction activity and expenditure would take place during RIIO-T2, with delivery taking place in RIIO-T3.

The INC for the replacement of the Fort-Augustus to Skye transmission line, at an estimated total investment of around £400 million, was submitted to OFGEM in August 2021. The replacement line is required to maintain security of supply and to enable the connection of renewable electricity generation.

Work to prepare the INC to upgrade the Argyll transmission network to 275kV operation is progressing, with the INC due to be submitted before the end of 2021. The Argyll 275kV strategy is required to support the forecast growth in renewables in the region.

Further expenditure to connect new renewable generation, rail electrification and system security is also expected throughout the RIIO-T2 period and beyond when the need for this investment becomes certain. These investments could see the total installed generation capacity increase to around 14GW by the end of RIIO-T2, with around 13GW of this from renewable sources. Subject to regulatory approval, combined, these investments, alongside the Certain View, could bring the total expenditure across the RIIO-T2 period to over £4 billion, with SSEN Transmission RAV increasing to over £6 billion by the end of RIIO-T2.

Beyond RIIO-T2, the ScotWind leasing round, the outcome of which was announced in January 2022, is set to unlock up to 10GW of new offshore wind in Scotland which will require significant transmission upgrades both onshore and offshore.

To support the connection of ScotWind and the UK Government's 40GW by 2030 offshore wind target, the National Grid ESO, in collaboration with the three GB Transmission System Operators, is developing a Holistic Network Design ("HND") which will set out the onshore and offshore network requirements to deliver 2030

targets. The HND is expected to include a second HVDC link from Peterhead to England, alongside several other major reinforcements required to deliver 2030 offshore wind targets, supporting future earnings and RAV growth.

In addition to the opportunities outlined above, SSEN Transmission continues to work with stakeholders in Orkney and the Western Isles to develop and take forward proposals to enable mainland transmission connections. Changes to the structure of the forthcoming Contracts for Difference auction, with offshore wind now in a separate pot to remote island wind, may increase the competitiveness of remote island wind which in turn, could support the investment case for the proposed transmission links. The outcome of the contracts for difference (“**CFD**”) auction is expected in the first half of 2022.

Electricity Distribution

SSEN Distribution is responsible for maintaining electricity distribution networks that supply over 3.8 million homes and businesses, operating under licence as **SHEPD** north of the central belt of Scotland, the Mull of Kintyre and the Scottish Islands and as **SEPD** in central southern England.

During the remaining term of the Electricity Distribution Price Control Review 1 (“**RIIO-ED1**”) Price Control period SSEN Distribution is focusing on improved performance in relation to customer and network incentives available within RIIO-ED1, efficient delivery of capital investment, focused delivery of regulatory outputs and maintaining a leadership position in innovation.

In July 2021, SSEN Distribution published its draft £4.1 billion Electricity Distribution Price Control Review 2 (“**RIIO-ED2**”) business plan for 2023 to 2028. Informed by engagement with over 21,000 stakeholders, the draft plan sets out six goals built around SSEN Distribution’s strategic outcomes. It proposes £900 million of additional potential investment under regulatory Uncertainty Mechanisms to help protect customers and provide the necessary flexibility as opportunities and policy evolve. SSEN Distribution has been engaging with stakeholders following the publication of the draft plan to support, inform and prepare a finalised plan submitted to OFGEM on 1 December 2021.

SSEN Distribution continues to undertake a capital investment programme across both its networks, delivering improvements for customers and increasing its RAV.

In the six months to 30 September 2021, the business invested £171.3 million, bringing the total invested since the beginning of the RIIO-ED1 price control to around £2.1 billion. This is part of a forecast £2.6 billion investment throughout the RIIO-ED1 period, supporting future earnings through RAV growth.

SSEN Distribution invests to support communities and to compliment net zero targets. In the six months to 30 September 2021 this included over £155.5 million of investment in projects and network infrastructure, comprised of £88.6 million in SEPD and £66.9 million in SHEPD. This included works beginning in April 2021 on a £7.9 million project to upgrade equipment and future-proof the network for around 114,000 west London customers, expected to be completed in March 2023; and a £5.6 million investment to upgrade a substation in Hampshire to be completed in July 2023. In August 2021, SSEN Distribution successfully concluded a £28 million subsea cable replacement between Skye and Harris. The project involved offshore works using specialist marine vessels to successfully install and protect the 33kV cable between Ardmore, Skye and Bearavik, Harris.

Incentive performance remains a key revenue driver and SSEN prioritises improving reliability of network performance and to support a positive customer experience. Under the RIIO regulatory regime, and the Interruptions Incentive Scheme, SSEN Distribution is incentivised on its performance against the loss of electricity supply through the recording of Customer Interruptions (“**CI**”) and Customer Minutes Lost (“**CML**”) which includes both planned and unplanned supply interruptions. These incentives will typically be collected two years after they are earned.

SSEN Distribution has successfully secured an improvement in customer satisfaction levels based on initial RIIO-ED1 Broad Measure incentive scores. The current year-end target is £4 million. Whilst performance in SHEPD remains strong, SEPD has had a challenging first half of the year with demand increasing as the economy reopened

following the lifting of coronavirus restrictions, resulting in a reduction in customer satisfaction. There is a full improvement plan in place for each Broad Measure category in SEPD to improve customer satisfaction scores. Building on 2020's increased revenue, in 2021 SSEN Distribution secured an improved score from its Stakeholder Engagement and Customer Vulnerability submission.

The UK's net zero ambitions are expected to lead to a trebling of demand on electricity networks, according to the Climate Change Committee forecasts. Two key drivers behind the increase in demand are expected to be the electrification of heating and transport which currently account for up to 23 per cent. and 27 per cent. respectively of annual UK carbon emissions.

The UK Government is targeting 600,000 heat pump installations a year by 2028 and its ambition is to phase out the installation of new gas boilers from 2035. These measures will be supported by its target of reducing heat pump cost by up to 50 per cent. by 2025.

SSEN Distribution's ED2 draft (July 2021) Business Plan's proposed investment and utilising of flexibility to optimise the network is expected to support an increase in heat pump numbers from around 20,000 to 800,000 by 2028, aligned with SSEN Distribution's 2020 Future Energy Scenario ("DFES") forecasts. SSEN Distribution applies a 'flexibility first' approach to satisfying demand requirements, recognising that the decarbonisation of heat will require a range of solutions and technologies, whilst also ensuring that the network needs to be ready to accommodate rapid heat pump uptake efficiently and at the time needed.

The UK Government's Net Zero Strategy commits to decarbonising the power system by 2035 and highlights that electricity networks are expected to require up to £30 billion of investment by 2037 in maintenance and reinforcement. It also announced a Zero Emission Vehicle mandate for car manufacturers, requiring an increasing percentage of zero-emission vehicle sales each year from 2024. In SSEN Distribution's network areas, according to the 2020 DFES, electric vehicle ("EV") charging capacity could increase from less than 500MW today to 9GW by 2030.

Throughout their strategies, both the UK and Scottish governments have emphasised support, and the necessity, for strategic investment in electricity networks to accommodate significant increases in demand. As part of SSEN's commitment to considering domestic flexibility in order to prepare for a low-carbon future, it is part of CrowdFlex, one of the UK's largest domestic flexibility trials announced in June 2021. SSEN is working alongside National Grid Electricity System Operator ("ESO"), Octopus Energy and Ohme. CrowdFlex is expected to include 25,000 UK households and inform innovative approaches to managing the low-carbon technology uptake.

SSEN Distribution's RIIO ED2 draft business plan proposed £4.1 billion in baseline investment, which represents an increase of around 36 per cent. on an equivalent ED1 period. Translating that into the SSE Group's new five-year capital and investment expenditure capital expenditure plan to FY26 would see approximately £2 billion of capital expenditure as SSEN Distribution moves into the ED2 price control period from 2023. This equates to a more than 15 per cent. increase on annual investment from the previous capital expenditure plan and therefore incorporates just part of the ambitious distribution investment plans out to 2028.

While significant and extensive electrification is required to put the UK on the path to realising its net zero target, the pace of change that will take place is not certain. SSEN Distribution has proposed £900 million of potential investment under regulatory Uncertainty Mechanisms to help protect customers and provide the necessary flexibility as positions and policy evolves during RIIO-ED2. This flexibility allows SSEN Distribution to respond when greater clarity is available for years 3 to 5 of the ED2 plan and to avoid committing customers to paying for investment before it knows what is fully efficient.

The final RIIO ED2 Business Plan will represent a further refinement of the draft, taking account of feedback and updated through extensive stakeholder engagement on the draft plan.

SSE Renewables

SSE Renewables is a core part of the SSE Group and central to its future growth plans. It comprises the SSE Group's existing operational assets and those under development in onshore wind, offshore wind, flexible hydro-electricity, run-of-river hydro-electricity and pumped storage. As at 30 September 2021, operational offshore wind installed capacity is 487MW with onshore wind capacity and hydro-electric installed capacity at 1,936MW and 1,459MW respectively.

The Seagreen and Dogger Bank projects are expected to be one of the largest in Scotland and in the world respectively when completed. SSE Renewables is on track to have enabled over a quarter of the UK's 40GW offshore wind target by 2030.

In terms of operational maintenance and plant availability, it was a strong first half of the 2020/2021 financial year with overall availability high across onshore and offshore wind and hydro operations.

SSE Renewables' hydro assets continue to play an important role in providing cost-effective, low carbon flexibility to the system, which is providing additional diversified income streams. Additional value has been realised through the ongoing hydro optimisation programme, which has identified further value creation opportunities within the asset base, including increased digitisation and automation of its operations.

The business continues to make progress with its programme of capital investment focusing on extending the life of large flexible hydro assets and improving reliability and efficiency. Grudie Bridge (18.7MW) is in final commissioning and slightly ahead of programme. Civil works on Tummel Bridge (34MW) have started and the replacement turbines have been ordered. Works are under way at Loch Mhor, the headwater reservoir for Foyers pumped storage power station (300MW), to add 1GWh of storage and enhance the operational capability and flexibility of the asset. The works are anticipated to be completed in Spring 2022.

SSE Renewables has brought the maintenance of more of its onshore wind fleet in-house. It now wholly maintains 454 turbines totalling 847MW equating to 62 per cent. of SSE Renewables' wholly-owned fleet.

The first two phases of one of the world's largest offshore wind farms at Dogger Bank (each 1,200MW, SSE Renewables share 40 per cent.) remain on track with onshore works for cables and substation continuing and offshore construction commencing in Q2 2022 with installation of the HVDC export cables for Dogger Bank A. Dogger Bank C (1,200MW) reached financial close on 1 December 2021. SSE has sold down a 10 per cent. share of Dogger Bank C to Eni for an equity consideration of £70 million. A consistent combination of equity partners across all three phases of the project is expected to enable further synergies across both the construction and operations phase of the Dogger Bank wind farm.

The first turbine jacket foundations have been installed at Seagreen 1 (1,075MW, SSE Renewables share 49 per cent.), one of Scotland's largest, and the world's deepest, fixed-bottom offshore wind farms. Full power is targeted for January 2023. With 621MW not currently attached to a CfD, there is the potential to compete in the CfD Allocation Round 4 auction in 2022 for the uncontracted part of the project.

Construction is progressing well on Viking (443MW) with 60km out of 70km of the access roads completed and 47 out of the 103 turbine foundations at various stages of construction. Work on the direct current substation is continuing. It is planned that turbines will be installed in early 2023 and completion is planned for autumn 2024. The wind farm will also have the option to enter the CfD auction later this year. Viking is expected to be among the highest-yielding onshore wind farms in Europe, producing almost 2TWh annually.

At Lenalea wind farm (30MW, SSE Renewables share 50 per cent.) in Ireland, construction is progressing and it is currently expected to be commissioned in late 2022/early 2023.

In July 2021, Beatrice Offshore Wind Farm Limited, a joint venture owned 40 per cent. by SSE Renewables, agreed to an Offshore Transmission Owner assets divestment worth an asset value of £437.9 million and full asset transfer took place on 5 August 2021.

Gordonbush Extension (38MW), SSE's first merchant onshore wind project, has now been fully commissioned and handed over to operations following its official opening in August 2021.

SSE has an approximately 10GW secured pipeline of opportunities either in construction, consented or requiring consent. This pipeline is expected to deliver approximately 4GW of added capacity by FY 2026 with targets to reach 13GW by 2031. Delivering on this pipeline is expected to see, on average, almost 1GW of renewables capacity added each year to 2031. SSE expects to grow this pipeline to approximately 15GW by FY 2026, maintained through the rest of the decade, which is in turn expected to maintain the run rate of at least 1GW of new assets a year. If successful, SSE expects to exceed its target of trebling its renewable output by 2031.

Near-term growth opportunities are expected to come from SSE Renewables' consented offshore sites: Seagreen 1A (360MW, SSE Renewables share 49 per cent.), which is an extension to the Seagreen 1 site, and Arklow Bank Wind Park 2 (520MW) in Ireland. Development work on Seagreen 1A is ongoing with potential to be eligible for CfD Auction Round 4 when it opened in December 2021. The Arklow Bank project is expected to be well placed to take part in the first Irish offshore auction to be scheduled in 2022, the details of which are currently under consultation by the Irish Government. SSE Renewables has a foreshore lease for Arklow Bank Wind Park 2 and is engaged with the Department of Housing, Local Government and Heritage regarding extension of the associated 'Long Stop Dates'. If successful in respective auctions, both Seagreen 1A and Arklow Bank Wind Park 2 projects could be operational by 2025/26.

In the medium term, SSE Renewables has combined the previous Berwick and Marr Bank offshore wind projects located in the Firth of Forth into a single, up to 4.1GW, Berwick Bank project which is working towards a single consent application submission in Spring 2022 with the aim of securing consent in 2023. The project is expected to play a critical role in helping to deliver the 40GW UK offshore wind target by 2030, as well as the Scottish Government's 11GW target.

North Falls offshore wind farm (up to 504MW, SSE Renewables share 50 per cent.), which is an extension to the Greater Gabbard wind farm off the east coast of England, continues to progress with local consultation under way for a potential grid connection in North Essex. North Falls could also be operational by 2030.

SSE Renewables has successfully bid for the E1 East site in in the Crown Estate Scotland's ScotWind offshore wind seabed leasing process as part of a consortium with Marubeni Corporation and Copenhagen Infrastructure Partners ("CIP"). The E1 East site was SSE's preferred site, being well located for both grid connection and transmission charges, with a potential capacity of at least 2.6GW. The Project Partners are combining their local experience and global expertise in the development of fixed and floating offshore wind farms.

SSE Renewables has stated its ambition to contribute a significant amount of the capacity needed to meeting Ireland's 5GW offshore wind target by 2030. A foreshore licence has been secured for site investigations for the 800MW Braymore Wind Park project off the north-east coast and an application has been submitted for the 800MW Celtic Sea Array off the south-east coast. Celtic Sea Array and Braymore Wind Park would both progress under the Maritime Area Planning Bill, which is currently progressing through the Irish Parliament. This legislation will enable the establishment of a new regulator that will run a process to manage the allocation of leases for seabed. Braymore and Celtic are expecting to apply for a Marine Area Consent once the process has been established, which is expected in early 2023.

Future onshore wind growth can be delivered through SSE Renewables' consented sites at Strathy South (consented for 133MW and has submitted variation to increase to 208MW) and Tangy Repower (57MW) in Scotland and Yellow River (105MW) in Ireland. SSE Renewables has submitted consent applications to the Scottish Government for Bhlaraidh Extension (in excess of 100MW), and Achany Extension (in excess of 80MW).

There continues to be positive progress on the Coire Glas pumped hydro storage project (up to 1,500MW) which issued an Invitation To Tender to shortlisted civil engineering works companies at the end of October 2021. The UK Government published its updated Smart Systems and Flexibility Plan in July 2021, which set out the importance of long duration energy storage technologies like pumped hydro in providing the system flexibility

needed to meet net zero. A call for evidence was published on possible policy interventions, such as cap and floor, to support such projects and the UK Government is due to announce the outcome of that process in early 2022. Subject to the outcome of these policy decisions, Coire Glas could progress to a final investment decision by 2023/24 with the objective of being completed before the end of the decade.

SSE Renewables' project pipeline consists of:

Project	Location	Technology	Capacity (MW)	SSE Share (MW)
Due final investment decision or in construction				
Dogger Bank A	GB	Offshore wind	1,200	480
Dogger Bank B	GB	Offshore wind	1,200	480
Dogger Bank C	GB	Offshore wind	1,200	480
Seagreen 1	GB	Offshore wind	1,075	527
Viking	GB	Onshore wind	443	443
Lenalea	Republic of Ireland ("ROI")	Onshore wind	31	31
Consented				
Arklow Bank 2 ¹	ROI	Offshore wind	520	520
Seagreen 1A	GB	Offshore wind	360	176
Yellow River	ROI	Onshore wind	105	105
Tangy	GB	Onshore wind	57	57
Coire Glas ²	GB	Pumped storage	Up to 1,500	Up to 1,500
Requiring Consent				
Berwick Bank ³	GB	Offshore wind	Up to 4,100	Up to 4,100
North Falls	GB	Offshore wind	504	252
Strathy South	GB	Onshore wind	208	208
Cloiche	GB	Onshore wind	155	155
Other	-	Onshore wind	approximately 200	approximately 200
Future Prospects⁴				
Braymore Point	ROI	Offshore wind	800	800
Celtic Sea Array	ROI	Offshore wind	800	800
Japanese development projects	Japan	Offshore wind	10,000	8,000
Future auctions	-	Offshore wind	TBC	TBC

Other GB	GB	Onshore wind	approximately 250	approximately 250
Other Northern Ireland	Northern Ireland	Onshore wind	approximately 50	approximately 50
Other ROI	ROI	Onshore wind	approximately 250	approximately 250
Other GB	GB	Hydro	75	75

Note 1: Partially consented

Note 2: Expected to require revenue stabilisation mechanism

Note 3: Berwick Bank and Marr Bank offshore wind farms were combined into one wind farm in September 2021, known as Berwick Bank Wind Farm

Note 4: Reflects named development areas where some form of development activity is underway and therefore excludes any future or in-flight auction processes such as ScotWind, or NY Bight

SSE Renewables has progressed in exporting its capabilities overseas with the creation of a new joint ownership company, SSE Pacifico (80 per cent. stake), which includes the acquisition of an interest in an offshore development platform for US\$208 million. The new company is expected develop the 10GW gross portfolio acquired, comprising a number of early development stage offshore wind projects in Japan. It includes a mix of fixed bottom and floating sites with the most advanced projects expected to be constructed by the end of this decade.

In the United States, via its newly incorporated entity SSE Renewables North America, SSE Renewables has successfully prequalified for the New York Bight Auction for seabed on 23 February 2022.

Following formation of a partnership with Acciona Energia, SSE Renewables is expecting to submit an application for Offshore Location Licenses for the allocation of development rights for offshore wind farms in Poland. The process is expected to run until Q2 2022.

SSE Renewables also continues to work with Acciona Energia on offshore wind opportunities in Spain. The Spanish government published its draft offshore wind roadmap in August which set out an ambition to target up to 3GW by 2030.

SSE Renewables is also assessing other growth options across Europe, including plans to bid into the upcoming tenders for the 1.4GW Hollandse Kust (west) Wind Farm Zone in the Netherlands, taking place in the first half of 2022.

Thermal Generation

SSE Thermal owns and operates a portfolio of conventional thermal generation in the UK and Ireland. These assets play a transitional role in the SSE Group, and wider energy system, in balancing the system on the journey to net zero. While providing much-needed system flexibility to ensure stability and security of supply in the short term, SSE Thermal is actively developing options to progressively decarbonise its fleet.

SSE Thermal's Combined Cycle Gas Turbine ("CCGT") fleet continues to play an important role in the UK and Ireland electricity systems, with its flexibility providing system security and stability. The SSE Thermal fleet has responded to the market conditions in the six months to 30 September 2021, delivering value to the system and demonstrating the role it plays in ensuring a resilient transition to net zero. Periods of scarcity have created value for SSE Thermal through increased spark spreads, with the Balancing Mechanism continuing to act as an important earnings stream.

Plant availability was lower in the six months to 30 September 2021, when compared to the six months to 30 September 2020, across the SSE Thermal fleet. Reduced availability was driven by a number of factors including

unplanned outages to respond to faults and maintenance requirements, overrun of planned outages and the phasing of outages to respond to system needs.

SSE Thermal’s assets have been awarded the following capacity contracts in GB and Ireland through competitive auctions.

Station	Asset type	Capacity	Capacity Obligation
Medway (GB)	CCGT	735MW SSE 100 per cent.	To September 2022
Keadby (GB)	CCGT	755MW SSE 100 per cent.	To September 2022
Keadby 2 (GB)	CCGT	840MW SSE 100 per cent.	15-year contract commencing October 2023
Peterhead (GB)	CCGT	1,180MW SSE 100 per cent.	To September 2025
Seabank (GB)	CCGT	1,164MW SSE 50 per cent.	To September 2025
Marchwood (GB)	CCGT	920MW SSE 50 per cent.	To September 2025
Slough Multifuel (GB)	Energy from Waste	50MW SSE 50 per cent.	15-year contract commencing October 2024
Great Island (ROI)	CCGT	464MW SSE 100 per cent.	To September 2025
Rhode (ROI)	Gas/oil peaker	104MW SSE 100 per cent.	To September 2025
Tawnaghmore peaking plant (ROI)	Gas/oil peaker	104MW SSE 100 per cent.	To September 2025
Tarbert (ROI)	Oil	590MW SSE 100 per cent.	To September 2022

Repurposing the SSE Group fleet remains a priority to make it fit for a net zero world. The importance of bringing forward investment in lower-carbon flexible generation has come to the fore in recent months. While the SSE Group closed its last remaining coal-fired power station in March 2020, coal-fired generation continues to be relied upon to meet electricity system demand, and saw increased usage in 2021. This development serves to highlight the urgent need for the carbon capture and hydrogen technologies that SSE Thermal is seeking to develop as alternative sources of flexible generation that can provide lower-carbon back-up.

With the exception of Keadby 2, Marchwood, Great Island and potentially Seabank, the SSE Group cannot envisage any of its thermal plants running into the 2030s unabated. Its focus remains on carbon capture and storage and hydrogen technologies.

In May 2021, the UK Government launched its ‘Cluster Sequencing Process’ to identify the industrial clusters which will be supported to deploy shared carbon capture and storage infrastructure by the middle of this decade. This is the shared infrastructure which proposed low-carbon power stations jointly developed by SSE and Equinor could plug into. Power station options include:

- Keadby Carbon Capture Power Station – a 900MW gas-fired power station with carbon capture.
- Peterhead Carbon Capture Power Station – a 900MW gas-fired power station with carbon capture.
- Keadby Hydrogen – a 900MW low-carbon hydrogen-fired power station, with a peak demand for hydrogen of 1,800MW.

In October 2021, the East Coast Cluster was identified as a successful ‘Track 1’ cluster, which encompasses the Zero Carbon Humber project, and will be one of those clusters supported to deploy carbon pipelines and carbon storage. This includes SSE Thermal and Equinor’s Keadby-based projects in North Lincolnshire.

This decision will allow Keadby Carbon Capture Power Station an opportunity to submit an application to UK Government for a Dispatchable Power Agreement, a revenue support scheme which has been designed for power stations with carbon capture, and to explore opportunities to further develop Keadby Hydrogen Power Station. This process launched in autumn 2021.

The Scottish cluster was identified as a ‘reserve Track 1’ cluster and remains in line to progress to deployment as a ‘Track-2’ cluster by the end of the decade. The Scottish cluster includes the Acorn CCS infrastructure which Peterhead Carbon Capture and Power Station could be a key early customer for.

These plans would support the UK’s transition to net zero and accelerate the decarbonisation of some of the UK’s most carbon intensive regions, underpinning investment in shared carbon and hydrogen pipelines which other emitters in the region could plug into.

Keadby 2, SSE Thermal’s £350 million 893MW CCGT, brings Siemens’ first-of-a-kind, high efficiency, gas-fired generation technology to the UK and is on track to be fully commissioned in 2022. Keadby 2 achieved its first generation when synchronised with the grid on 31 October 2021. As part of its co-operation agreement with Equinor, SSE Thermal is also developing options to blend hydrogen at Keadby 2.

Gas Storage

SSE Thermal holds around 40 per cent. of the UK’s conventional underground gas storage capacity. These assets can play an important role in the transition to net zero, supporting security of supply with the UK’s continuing shift away from coal-fired generation and the resulting loss of inherent energy storage in coal stocks.

In the six months to 30 September 2021, the SSE Group’s gas storage business responded to market and demand changes resulting from volatility in the gas price. Natural gas injections and withdrawals were re-optimised, delivering value in the first half of 2021.

SSE Thermal remains committed to working with UK Government departments and OFGEM to ensure the critical role of UK storage in relation to security of supply and stability of gas price is properly rewarded, as well as a future role for low-carbon hydrogen storage.

In July 2021, SSE Thermal and Equinor announced plans to develop a world-leading hydrogen storage project at Aldbrough, an existing gas storage site on the east Yorkshire coast. Hydrogen storage is expected to play an important role in a low-carbon hydrogen economy balancing supply and demand with an ability to store hydrogen produced using carbon capture and electrolytic technologies, as identified in the UK Government’s inaugural Hydrogen Strategy published in August 2021.

SSE Business Energy

SSE Business Energy provides a potential shopfront and route to market for the SSE Group’s low-carbon energy solutions and green products to non-domestic customers across GB. The business markets its products under the SSE Energy Solutions brand alongside SSE Distributed Energy.

Business Energy continues to invest in digital and customer service solutions to adapt and evolve its offerings in a highly competitive market. In May 2021, a new and simplified Corporate Power Purchase Agreement product was launched, which makes traditionally complex Corporate Power Purchase Agreements accessible to more companies

in GB. This was followed in July 2021 by the announcement that all businesses signing up for a fixed contract with SSE Business Energy will receive their electricity from renewable sources. SSE previously offered 100 per cent. renewable electricity as an optional extra to business customers. The electricity's green credentials are independently verified by international energy consultancy, EcoAct, an Atos company, and customers are provided with Renewable Energy Guarantees of Origin certification.

Prioritising the safety and wellbeing of customer service operations remains a priority and in response to the coronavirus pandemic, remote working continues to be successfully implemented across the business. Physical services such as meter reading, smart meter installation activities and field debt collections were paused but are now operating effectively following the easing of lockdowns.

In July 2021, SSE Business Energy consolidated with SSE Distributed Energy to create a new SSE Energy Solutions brand. The launch of SSE Energy Solutions coincided with the announcement that all businesses signing up for fixed contracts with SSE in GB will now receive all their electricity from renewable sources that SSE operates. The move, which aims to make it easier for customers to hit their climate change targets, saw the launch of a new customer website which makes all of the SSE Group's products and services available via one shopfront for the first time. The SSE Energy Solutions website offers an expanded product portfolio including customer workplace EV charging solutions and flexible Corporate Power Purchase Agreement offerings.

There has also been the launch of Business Energy's renewable gas tariff 'Green Gas plus', which is gaining traction in the market and has received third party accreditation from EcoAct.

SSE Airtricity

SSE Airtricity provides a valuable route to market for the SSE Group's low-carbon energy solutions and green products to customers across the island of Ireland. SSE Airtricity retains a strong market position as one of Ireland's largest suppliers of 100 per cent. green energy, supplying approximately 680,000 customers and holding 23 per cent. market share by load as at 30 September 2021.

Throughout the coronavirus pandemic, SSE Airtricity's priority has been the safety and wellbeing of its teams. The vast majority of staff continued to work remotely during the first nine months of 2021, in line with government guidance.

Non-domestic demand reduced as economic activity scaled back but was partly offset by increased demand from households. Several physical services, which had been suspended due to lockdown restrictions, have since returned, including door-to-door sales and residential construction projects such as housing upgrades.

Against a backdrop of rising wholesale prices, SSE Airtricity in both Northern Ireland and Ireland had to reflect this in the prices charged to customers. SSE Airtricity has taken extra steps to ensure that its customers are supported with their bills. Affordability and customer support remain key priorities.

SSE Airtricity continues to support customers and empower communities in their transition towards a greener future. A key area of focus is the provision of extended services and offerings, including a new partnership with ePower on electric vehicle charging infrastructure, as well as a partnership with Volkswagen to bring more customers closer to net zero emissions by providing a green end-to-end solution for motorists switching to electric vehicles. The new partnership aims to encourage and educate drivers on the seamless transition to electric vehicles and how this will help offset carbon emissions. In return for transitioning to a 100 per cent. green energy solution, customers are expected to save up to €1,000 on their annual energy bill. SSE Airtricity has also agreed an exclusive partnership with home alarm provider PhoneWatch to give customers discounts on home alarms.

Finally, SSE Airtricity continued to pursue its strategic imperatives in 2021, including the continued rollout of its 'One-Stop Shop' in conjunction with An Post, a first of its kind in the ROI market, providing customers with energy efficient home upgrades and practical routes to reducing their usage.

Energy Portfolio Management

EPM is core to the SSE Group, securing value for the SSE Group's asset portfolios in wholesale energy markets and managing volatility through risk-managed trading of energy-related commodities for SSE's market-based Business Units.

The SSE Group trades the principal commodities to which its asset portfolios are exposed, as well as the spreads between two or more commodity prices (e.g. spark spreads): power (baseload and other products); gas; and carbon (emissions allowances). Each commodity has different liquidity characteristics, which impacts on the quantum of hedging possible.

As a short-term energy market asset optimiser and a long-term energy market adviser for all of the SSE Group's energy portfolios, through the first half of the 2021/22 financial year EPM was navigating highly volatile energy markets. EPM continued to ensure the energy portfolios are hedged in accordance with SSE Group policy and optimised through prompt periods to maximise overall SSE Group value.

In March 2021, EPM initiated a transformation programme to enable the Business Unit to enhance its capabilities and role as the SSE Group's energy markets heart. In the first half of the 2021/22 financial year substantial progress was made, with recruitment to bolster capacity and bring in new capabilities, including the establishment of a dedicated Advanced Analytics team.

Distributed Energy

Following the sale of its Contracting and Rail businesses, the SSE Group's reporting of its Enterprise segment has been adjusted, and rebranding has been implemented. The financial results from the SSE Group's out of areas networks business and Neos Networks Limited (formerly SSE Telecoms) joint venture will now be reported within SSEN Distribution and Corporate Unallocated respectively. The SSE Enterprise brand name has been replaced by SSE Energy Solutions, which gives customers a single point of entry to the SSE Group's Distributed Energy and Business Energy offerings.

The primary retained activity of the former SSE Enterprise businesses is now in the area of distributed energy. SSE's Distributed Energy business provides the SSE Group's solar and battery storage asset development and operations and focuses on distributed generation, EV infrastructure, heat and cooling networks, and smart buildings and places.

Financial performance in Distributed Energy was impacted by the effects of the coronavirus pandemic throughout 2021, but the business is nevertheless looking to grow market share. Distributed Energy announced it had purchased the project development rights for its first 50MW battery storage asset on a consented site in Wiltshire, from Harmony Energy Ltd. It is also looking at the viability of similar opportunities including at SSE Group sites such as Ferrybridge and Fiddlers Ferry for 150MW batteries.

Distributed Energy continues to play a key role in helping to decarbonise transport. As at 30 September 2021, nearly one in every two electric buses in London has been charged by infrastructure installed by Distributed Energy. In Glasgow, work to power 150 green buses completed by the end of 2021. Its EV team plans to develop a network of super-fast charging community hubs to encourage electric vehicle take up.

Distributed Energy's role in the SSE Group is to explore and develop interesting growth platforms that complement its core low carbon strategy. This includes taking a 'whole system thinking' approach when it comes to partnering and providing solutions for businesses and organisations embarking on their own net zero journeys. Distributed Energy therefore seeks to help provide the platform for a data-driven and sustainable world, including distributed generation, energy optimisation, smart buildings and EV charging.

The business is developing opportunities of over 1GW in solar and battery storage across the UK to help respond to the needs of local generation. Solar is at an earlier stage but offers potential given the SSE Group's capabilities and, together, these technologies could represent a multi-GW opportunity. Finally, it will aim to bring innovation to its heat networks and its Independent Distribution Network Operators businesses – both of which show the diversity of the Distributed Energy portfolio and offer clients effective pathways to decarbonisation.

Borrowings and Facilities

The SSE Group's objective is to maintain a balance between continuity of funding and flexibility, with debt maturities staggered across a broad range of dates. SSE's total debt and hybrid capital was £10.2 billion as at 30 September 2021. Its average debt maturity as at 30 September 2021 was 7.2 years, compared with 7.4 years as at 31 March 2021. Average cost of debt as at 30 September 2021 was 3.89 per cent. compared with 3.75 per cent. as at 31 March 2021. As at 30 September 2021, fixed rate debt was 100 per cent. of total debt.

SSE's debt structure remains strong. Adjusted net debt and hybrid capital⁹ was £9.6 billion as at 30 September 2021 in the form of issued bonds, European Investment Bank debt and other loans. The balance of SSE's adjusted net debt is financed with short-term bank debt. SSE's adjusted net debt and hybrid capital includes cash and cash equivalents totalling £0.2 billion. The facilities, external debt and internal loan stock for the SSE Group as at 30 September 2021 (with sterling equivalents (where applicable) as at that date) were as follows:

SSE	<ul style="list-style-type: none">• U.S.\$575 million (£366.8 million) U.S. private placement due between 2022 and 2024• £501.1 million U.S. private placement due between 2023 and 2027• £300 million 5.875 per cent. bonds due 2022• £500 million 8.375 per cent. bonds due 2028• £350 million 6.25 per cent. bonds due 2038• £1.3 billion revolving credit facility maturing 2025 (fully undrawn)• €1.5 billion Euro Commercial Paper programme (£103.4 million drawn)• £200 million revolving credit facility maturing 2024 (fully undrawn)• €500 million 2.375 per cent. bonds due 2022 (£415.0 million of principal outstanding)• €700 million 1.75 per cent. bonds due 2023 (£514.6 million of principal outstanding)• €600 million 0.875 per cent. bonds due 2025 (£515.7 million of principal outstanding)• €650 million 1.375 per cent. bonds due 2027 (£591.4 million of principal outstanding)• €600 million 1.25 per cent. bonds due 2025 (£531.4 million of principal outstanding)• €500 million 1.75 per cent. bonds due 2030 (£442.9 million of principal outstanding)• £100 million European Investment Bank loan due 2028
SSE Generation Limited	<ul style="list-style-type: none">• £1,250 million intercompany loan stock due to SSE
SHEPD	<ul style="list-style-type: none">• £148.5 million 1.429 per cent. index linked bonds due 2056• £650 million intercompany loan stock due to SSE
SEPD	<ul style="list-style-type: none">• £350 million 5.5 per cent. bonds due 2032• £325 million 4.625 per cent. bonds due 2037

⁹ For more information on the relevance of adjusted net debt and hybrid capital (which is not an IFRS measure of performance) and the way in which it is calculated, see the financial statements which are incorporated by reference in this Prospectus.

	<ul style="list-style-type: none"> • £139.8 million 4.454 per cent. index linked loan maturing 2044 • £1,000 million intercompany loan stock due to SSE
SSEN Transmission	<ul style="list-style-type: none"> • £350 million 2.25 per cent. bonds due 2035 • £250 million 1.50 per cent. bonds due 2028 • £250 million 2.125 per cent. per cent bonds due 2036 • £930.0 million intercompany loan stock due to SSE • £150 million European Investment Bank loan due 2022 • £50 million European Investment Bank loan due 2023 • £300 million European Investment Bank Loan due 2026 • £100 million European Investment Bank Loan due 2028
SSE Generation Ireland Limited	<ul style="list-style-type: none"> • €74.8 million (£64.3 million) intercompany loan stock due to SSE

Hybrid Capital

Hybrid Equity

On 14 July 2020, SSE issued £600 million and €500 million hybrid capital bonds (the “**Sterling 2020 Hybrid Bonds**” and the “**Euro 2020 Hybrid Bonds**” respectively). These hybrid capital bonds have no fixed redemption date, but SSE may at its sole discretion, redeem all (but not part) of these bonds at their principal amount on: (i) 14 April 2026 or every five years thereafter for the Sterling 2020 Hybrid Bonds; and (ii) on 14 July 2027 or every five years thereafter for the Euro 2020 Hybrid Bonds. SSE has the option to defer coupon payments on the outstanding bonds on any relevant payment date subject to compliance with certain conditions, including no dividend having been declared on SSE’s ordinary shares.

Hybrid Debt

On 16 March 2017, SSE issued \$900 million and £300 million hybrid capital bonds (“2017 Hybrid Bonds”). The 2017 Hybrid Bonds mature on 16 September 2077 but SSE may, at its sole discretion, redeem all (but not part) of these bonds at their principal amount on 22 September 2022 or any interest payment date thereafter. SSE has the option to defer coupon payments on the bonds on any relevant payment date subject to compliance with certain conditions, including no dividend having been declared on SSE’s ordinary shares. Due to the 2017 Hybrid Bonds having a fixed redemption date, they have been accounted for as a Debt item. This is in contrast to the Sterling 2020 Hybrid Bonds and the Euro 2020 Hybrid Bonds which have no fixed redemption date and are accounted for as Equity.

The total hybrid capital for the SSE Group as at 30 September 2021 which has not been redeemed or had a call notice issued in relation thereto (with sterling equivalents (where applicable) as at that date) totalled £2.1 billion and was as follows:

SSE	<ul style="list-style-type: none"> • U.S.\$900 million (£749 million) Hybrid Debt Capital Bond – maturing 16 September 2077 with first call date 16 September 2022 • £300 million Hybrid Debt Capital Bond – maturing 16 September 2077 with first call date 16 September 2022 • £600 million Hybrid Equity Capital Bond – perpetual with first call date 14 April 2026 • €500 million (£453m) Hybrid Equity Capital Bond – perpetual with first call date 14 July 2027
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Investment and capital expenditure

During the six months to 30 September 2021, SSE's investment and capital expenditure (before project finance development expenditure refunds) totalled £1,042.8 million, including £897.8 million investment in renewable energy and regulated electricity networks, both of which are fundamental to delivery of net zero. During the year to 31 March 2021, SSE's investment and capital expenditure before refunds totalled £1,340.6 million, including £1,080.3 million invested in the core businesses of SSEN Transmission, SSEN Distribution and SSE Renewables.

Total investment and capital expenditure in the six months to 30 September 2021 included major investments within electricity networks totalling £462.3 million, or 44 per cent. of SSE's total investment and capital expenditure:

- SSEN Transmission has made significant progress on its capital investment programme, having entered the first year of the RIIO-T2 price control period on 1 April 2021. The largest proportion of spend in the period was focused on reinforcement on the east coast of Scotland, with a total of around £51.7 million covering several major projects including work on substations at Peterhead and Kintore, as well as reinforcement of the existing 275kV overhead line connecting the substations Blackhillock, Keith, Kintore and Peterhead to enable operation at an increased voltage of 400kV. Elsewhere, replacement works of the Port Ann to Crossaig line commenced in May 2021 and progress also continues to be made on the Shetland HVDC link, which remains on track for energisation in 2024.
- SSEN Distribution continued to progress its capital investment programme across both of its networks, with a total spend of £171.3 million over the period. As well as material investments in resilience and IT, the business successfully concluded a £28 million subsea cable replacement between Skye and Harris. The project involved significant offshore works using specialist marine vessels to successfully install and protect the 33kV cable between Ardmore, Skye and Beacravik, Harris.
- The construction of SSE's flagship renewable energy projects continues to progress, with investment during the period totalling £417.5 million across a number of key projects including: a £249.3 million equity contribution towards Seagreen (as the project progresses towards the final stages of construction, first energy continues to be expected in early 2022), £110.9 million of development expenditure on Dogger Bank C (which has been reimbursed to SSE by the project with financial close reached on 1 December 2021), and £57.3 million on the Viking onshore wind farm in Shetland.
- Investment in SSE's Thermal Energy division amounted to £94.1 million, including £37.8 million on Slough Multifuel, and £42.4 million on Keadby 2, as the project progresses towards commissioning later in 2022.

Total investment and capital expenditure in the year to 31 March 2021 included the following further significant investment in electricity networks totalling £786.0 million or 59 per cent. of SSE's total investment and capital expenditure in the year:

- SSEN Transmission continued to make progress on its capital investment programme, despite the impact of the coronavirus pandemic. Significant projects completed in the year including completion of several load related schemes to upgrade the network, as well as the replacement of the Inveraray to Crossaig transmission line in Argyll. Progress also continues to be made on the Shetland HVDC link, which remains on track for energisation in 2024. SSEN Distribution continued its capital investment programme across both of its networks, delivering significant improvements for customers and increasing the RAV. The business successfully completed major upgrades to its network including a refurbishment programme of equipment spanning 58km of overhead network in Wiltshire and Hampshire
- Construction of SSE's flagship renewable energy projects continued to progress, with investment totalling £294.3 million across a number of projects including onshore construction of Phases A and B of Dogger Bank, construction of the onshore substation and installation of the onshore cable for Seagreen,

commencing construction on the Viking onshore wind farm in Shetland and other onshore projects such as Lenalea in Ireland and Gordonbush extension in Scotland.

- SSE's flexible thermal fleet has continued to demonstrate its value in the transition to a renewables-led, net zero energy system and investment in thermal generation amounted to £106.5 million, covering the Keadby 2 project, which is currently on track to be fully commissioned in 2022, and the Slough Multifuel project.

SSE's 2021 plan to invest around £12.5 billion in the period to March 2026, up from £7.5 billion previously, focuses on the delivery of core strategic projects that are expected to make the greatest early contribution to the achievement of net zero emissions and earn sustainable returns that will support earnings in the years ahead.

This enhanced five-year, £12.5 billion strategic capital investment plan is designed to accelerate growth and maximise value for all stakeholders and is focused on net zero infrastructure investment. Investment is expected to deliver around 4GW net renewables capacity additions and grow electricity networks underlying RAV to around £9 billion net of assumed 25 per cent. minority stake sales. The plan is supported by further renewables partnering, minority stake sales in both SSEN Transmission and SSEN Distribution (modelling assumption of early FY24) to unlock value and optimise investment, and reshaped capital allocation to approximately 40 per cent. Networks, approximately 40 per cent. Renewables, and approximately 20 per cent. other flexible generation, distributed energy and customer businesses.

Sustainability and Climate Change

The SSE Group's vision is to be a leading energy company in a low-carbon world. Its purpose is to provide the energy needed today while building a better world of energy for tomorrow. With its core competencies focussed on developing and operating the energy assets that will help deliver a net zero economy by 2050, the SSE Group's future commercial success is intrinsically linked to the global imperative to prevent dangerous climate change.

A sustainable company is one that offers profitable solutions to the world's problems. In support of its vision, purpose and strategy, the SSE Group has adopted four fundamental business goals for 2030 which are directly aligned to the United Nations' ("UN") Sustainable Development Goals ("SDGs"). These Goals put addressing the challenge of climate change at the heart of the SSE Group's strategy at the same time as addressing sustainable social development. The aim is to enable the SSE Group to realise its vision of being a leading energy company in a low-carbon world.

The SSE Group's 2030 Goals provide important interim milestones on the journey to net zero in 2050. The SSE Group has aligned a significant proportion of executive remuneration to the achievement of these 2030 Goals and progress was made against them in the 6 months to 30 September 2021. With the setting of the SSE Group's new 1.5°C -aligned carbon targets and the publication of its new Net Zero Acceleration Programme, the SSE Group will monitor its 2030 Goals to ensure they remain stretch targets.

The SSE Group's 2030 Goals are to:

- Reduce the carbon intensity of electricity generated by 80 per cent. by 2030, compared to 2017/18 levels, to around 120gCO₂e/kWh. SSE's carbon intensity of electricity generated increased to 292gCO₂e/kWh in the first half of 2021/22, from 275gCO₂e/kWh in the same period in 2020/21. Despite this increase, overall progress is a 4.3 per cent. decrease in carbon intensity against the 2017/18 baseline. Output for both renewables and thermal generation was lower in the first half of 2021/22 compared to the first half of the previous year. The reduction in output for renewables was driven by unfavourable weather conditions for SSE's renewables assets over the summer, which was one of the least windy across most of the UK and Ireland and one of the driest in SSE's Hydro catchment areas in the last 70 years, while for SSE's thermal generation assets scheduled and unscheduled outages at SSE's gas fired power stations contributed to a reduction in output. While thermal generation output fell, the carbon intensity of the output was slightly higher because of the need to ensure security of supply using more carbon intensive

technologies. The reduction in output from SSE's thermal generation plant meant that SSE's total electricity generation carbon emissions fell in the first half of 2021/22 in comparison to the same period in 2020/21 by around 14 per cent.

- Build electricity network flexibility and infrastructure that enables at least 20GW of renewable generation and facilitates 2 million electric vehicles and 1 million heat pumps on SSEN's electricity networks by 2030. SSEN Distribution published its draft RII0-ED2 business plan, one of the key goals of which is to facilitate the connection of an additional 1.3 million electric vehicles in its licence areas by 2028. It also joined the National Grid-led project CrowdFlex – the largest domestic flexibility study ever held in the UK which will examine how households could use low-carbon technologies, including EVs, in a cost-effective transition to net zero.
- Develop and build by 2030 more renewable energy to contribute renewable output of 50TWh a year. Progress was made on construction of SSE Renewables flagship developments which, when operational, will make a significant contribution to the achievement of this 2030 Goal. SSE's renewable generation output for the first half of the 2021/22 financial year was 2,938GWh compared to 4,030GWh in the first half of the previous year. The reduction in output for renewables was driven by unfavourable weather conditions over the summer, which was one of the least windy across most of the UK and Ireland and one of the driest in SSE's Hydro catchment areas in the last 70 years.
- Be a global leader for not just transition to net zero, championing Fair Tax and a real Living Wage. Fair Tax: SSE continued to champion Fair Tax and obtained its Fair Tax Mark accreditation for the eighth year in December 2021, and published its Talking Tax 2021 report. Living Wage: SSE aligned wages to the annual real Living Wage rate increase and continues to Chair the Living Wage Scotland Leadership Group and be a member of the Living Hours Steering Group. SSE's Living Hours accreditation was announced in April 2021.

As well as integrating the UN's SDGs into its business strategy and operations, the SSE Group follows a number of other external best practice frameworks and benchmarks. It also actively seeks to improve its performance against environmental, social and governance criteria commonly used by investors and other stakeholders.

Regulatory Environment

The electricity industry in the UK is regulated by the Authority. The principal objective of the Authority, as set out under the Electricity Act 1989, is to protect the interests of existing and future consumers in relation to electricity conveyed by distribution or transmission systems; wherever appropriate by promoting effective competition. In respect of the wholesale electricity market, OFGEM's primary objective is to help markets operate more effectively by removing barriers, for example by ensuring there is greater transparency of information to all parties, including customers. In addition, when necessary and appropriate to do so, OFGEM uses its powers to monitor and address any anti-competitive behaviour or practices which may adversely affect the market. OFGEM provides the staff who support the role of the Authority and carry out the day to day activities of the statutory body. The Authority's duties include ensuring that licence holders are able to finance their statutory and licence obligations, and that they operate their business with regard to the effect on the environment.

Networks

The SSE Group delivers energy safely to homes and businesses in GB through its SSEN businesses. It owns and operates electricity distribution networks in the north of Scotland and central southern England, and the electricity transmission network in the north of Scotland. These businesses distribute energy to homes and workplaces in Scotland and the south of England and are subject to regulatory controls set by OFGEM.

Electricity Transmission

In the north of Scotland, the licensed transmission network owner is Scottish Hydro Electric Transmission plc ("SSEN Transmission").

SSEN Transmission has a duty under the Electricity Act 1989 to develop and maintain an efficient, co-ordinated and economical system of electricity transmission that facilitates competition in the supply and generation of electricity. SSEN Transmission is regulated by the Authority. Under the licence, where it is reasonable to do so, SSEN Transmission is under a statutory duty to offer terms to connect any customer that requests a connection within its area and to maintain that connection. SSEN Transmission's licence may be terminated on 25 years' notice given by the Secretary of State for Energy and Climate Change (or any successor) (the "**Secretary of State**") and may be revoked immediately in certain circumstances including insolvency or failure to comply with an enforcement order made by OFGEM.

SSEN Transmission is subject to a control on the prices it can charge and the quality of supply it must provide. Its activities are regulated under the transmission licence pursuant to which income generated is subject to a regulatory framework that provides economic incentives to minimise operating, capital and financing costs. The current electricity transmission price control commenced on 1 April 2013. This covers the eight year period until 31 March 2021. The price control is called RIIO-T1.

Since the start of the eight-year RIIO-T1 Price Control in 2013, capital investment in SSEN Transmission totalled around £3.2 billion as at 30 September 2021, with this investment playing a pivotal role in providing the critical national infrastructure required to facilitate the transition to a net zero and to maintain network reliability for the communities SSEN Transmission serves. In addition to the base rate of return on the RAV of SSEN Transmission's transmission assets, RIIO-T1 allows additional revenue to be earned through financial incentives based on efficient use of Totex.

The outcome of Totex efficiency savings is dependent on the successful completion of large-scale projects and the successful close out of RIIO-T1 after 2021. SSEN Transmission expects it will deliver Totex savings over the course of RIIO-T1 which will be shared equally between SSEN Transmission, supporting future earnings and electricity customers through lower charges than would otherwise have been the case.

Despite the current period of rapid growth in transmission development, SSEN Transmission continues to ensure the reliability of its electricity network, measured through performance in the Energy Not Supplied incentive, where it earned a reliability metric of over 99.9 per cent. The ENS Incentive provides a financial reward, on a sliding scale, if the volume of energy not supplied to customers due to faults is below a pre-determined annual target, which for SSEN Transmission is 120MW. If the target is exceeded, a financial penalty is applied. SSEN Transmission's electricity network's reliability can also be seen from the 100 per cent. availability of the recently commissioned HVDC network, excluding its routine maintenance period (99 per cent. availability overall).

As its transmission assets reach the end of their operational life, SSEN Transmission has an ongoing programme of maintenance and refurbishment to ensure its critical, national infrastructure assets continue to deliver for electricity customers, generators and wider society.

In December 2018, SSEN Transmission successfully energised the Caithness-Moray subsea transmission link, which remains the largest single investment ever undertaken by the SSE Group. SSEN Transmission's efficient delivery of the Caithness-Moray link will result in efficiency savings through the Totex mechanism, supporting future earnings.

During 2020/21, SSEN Transmission continued its strong record for capital delivery on time and within regulatory allowances. This was achieved through innovation, commitment and a close working relationship with stakeholders and customers. Building on a strong track record for delivering major projects on time and within budget, these projects include major new substations at Alyth, New Deer, Peterhead and Rothienorman as well as extensions to existing substations at Fetteresso, Kintore and Tealing. These investments will support the increase in the capability of the east coast transmission system up to 400kV – supporting the forecast growth in renewables that is looking to connect in the area. SSEN Transmission will continue to work collaboratively with its connection customers to deliver timely and efficient connections to its network.

SSEN Transmission continues to work with stakeholders across the three Scottish island groups (Orkney, the Western Isles and Shetland) to take forward proposals to provide transmission connections to facilitate the export of substantial renewable electricity generation potential to the mainland. In July 2020, OFGEM approved the 600MW High-Voltage Direct-Current transmission link connecting Shetland to the GB transmission system for the first time, unlocking Shetland's renewables potential as well as supporting its future security of supply requirements. Construction has started on this £630 million project and it is on track for energisation in 2024. In October 2020, SSEN Transmission, alongside Scottish Power Energy Networks and National Grid Electricity Transmission, submitted to OFGEM an Initial Needs Case to develop a subsea HVDC link from Peterhead to Drax in the north east of England. The link, which the System Operator has indicated should proceed for delivery in 2029, is required to facilitate the forecast growth in renewables in the north of Scotland. SSEN Transmission has a strong pipeline of new renewable connections and is expecting generation capacity to increase from 8GW today to 22GW by 2030.

SSEN Transmission continues to have a number of significant concerns about OFGEM's implementation of competition in transmission, particularly the CPM, SPV and the Early Competition delivery models currently in development.

SSEN Transmission believes OFGEM's current proposals: would effectively reopen the prevailing price control (RIIO-T1 or RIIO-T2); are justified on unproven customer benefits; are not underpinned by legislation or an appropriately developed regulatory framework; and risk delays to the delivery of critical net zero projects. SSEN Transmission is also increasingly concerned that the introduction of competition in the way envisaged will result in a fragmentation of responsibility, risking network reliability and introducing safety concerns.

Whilst SSEN Transmission will continue to engage constructively with OFGEM and other stakeholders as part of this process, it will also consider all options available to ensure the integrity of the Price Control is maintained and the development of existing projects continues, including the potential for legal challenge.

RIIO-T2

In July 2017, OFGEM published an open letter on the RIIO-2 Framework, initiating the next price control review. SSEN Transmission supports OFGEM's intention to give consumers a stronger voice in setting outputs, shaping and assessing business plans and welcomes OFGEM's focus on allowing network companies to earn returns that are fair and represent good value for consumers, reflect the risks faced in these businesses, and prevailing financial market conditions.

OFGEM has subsequently consulted on and issued decisions on changes to the RIIO framework and specific transmission sector methodologies for the next RIIO price control beginning in April 2021, RIIO-T2. This process will now lead to development of the individual sector price controls and, ultimately, commencement of the RIIO-T2 settlement on 1 April 2021.

In June 2019 SSEN Transmission published its draft Business Plan for the RIIO T2 Price Control, 'A Network for Net Zero'. SSEN Transmission consulted further with consumers, customers and stakeholders ahead of submitting its final plan to OFGEM in December 2019 as part of its RIIO T2 price control process. The final Business Plan, informed by extensive stakeholder engagement over the previous two years, included details of SSEN Transmission's 'Certain View' of the next Price Control period which is that a minimum expenditure of £2.4 billion in respect of a programme of fully costed and evidenced investments is required over the five-year Price Control period to maintain and grow the north of Scotland transmission network to meet the certain needs of current and future electricity generators and customers. This would deliver an electricity network with the capacity and flexibility to accommodate at least 10GW renewable generation in the north of Scotland by 2026. A significant proportion of this investment will take place in north east Scotland, with a particular focus on accommodating the growth in offshore wind in the area. There are also options to go further to accelerate the net zero transition. For example, SSEN Transmission has well-developed proposals for a further £1.3 billion investment to connect Scottish islands and unlock hundreds of MWs of new renewable generation.

It is anticipated additional investment will be required to deliver the transition to net zero, but this investment will only be released once there is certainty it is needed – protecting billpayers.

To deliver its plans, SSEN Transmission estimates its average cost to the GB consumer over the RIIO-T2 period will be around £7 a year. As part of OFGEM’s consideration of the final plan, the regulator consulted with stakeholders during 2020 before determining what level of investment should be taken forward from 2021 through to 2026.

In July 2020, OFGEM published for consultation its Draft Determination for the RIIO-T2 price control period with SSEN Transmission submitting a robust and evidence-based response, supported by stakeholders, in September. The response challenged OFGEM’s £800 million Totex cuts, highlighted inaccuracies in the methodologies and calculations used to set allowances and raised concerns about the potential implications for delivery of net zero and the risk to attracting investment to the UK.

In December 2020 OFGEM published its Final Determination for the RIIO-T2 price control. SSEN Transmission welcomed the positive movement in a number of key areas including all of its projects approved and a significant increase in Totex to £2.1 billion. Further work is required to assess whether this level of Totex is commensurate with delivering the outputs stakeholders demanded and the investment required to deliver Governments’ net zero targets. However, SSEN Transmission believes that OFGEM has not yet fully reflected the evidence – particularly that from the Competition and Markets Authority (the “CMA”) provisional findings of the PR19 water price control appeal - in setting the financial parameters for RIIO-T2, and has not presented evidence explaining why electricity transmission should receive lower returns than the water sector.

SSEN Transmission announced on 2 March 2021 its intention to appeal certain elements of OFGEM’s RIIO-T2 price control settlement to the CMA. The appeal is both technical and narrow in scope, focussed on areas where SSEN Transmission believes that OFGEM’s decision does not reflect the detailed evidence provided throughout the price control process and where it believes there were material errors in the decision. These are:

- Cost of Equity, which SSEN Transmission believes does not reflect market conditions and the detailed evidence provided throughout the price control process.
- Outperformance wedge, which SSEN Transmission believes goes against established regulatory practice by assuming, rather than incentivising, outperformance.
- New exposure to transmission charges, which SSEN Transmission believes unfairly exposes Transmission Owners to any under recovery of the National Grid Electricity System Operator’s (“NGESO”) own revenue from the market (i.e. to Transmission Network Use of System charges that the NGESO is responsible to recover from users of the transmission system).
- Loss of appeals right for additional Totex released through Uncertainty Mechanisms and Totex adjustments made following an outputs assessment, which SSEN Transmission believes goes against established regulatory practice, creating significant risk and precedent for future price controls.

SSEN Transmission has chosen not to appeal on the remaining elements of Ofgem's RIIO-T2 settlement (e.g. Totex or specific projects) and is looking to work constructively with Ofgem to deliver its stakeholder-led business plan 'A Network for Net Zero'.

SSEN Transmission will continue to advocate constructively for a regulatory framework that strikes the right balance between driving efficiency and maintaining a stable investment climate that continues to deliver improvements in network reliability, innovation and customer service and pave the way for the further decarbonisation of the energy system.

Electricity distribution

In the north of Scotland, SHEPD is the licensed distribution network owner and operator and in southern and central England SEPD is the licensed distribution network owner and operator. These are collectively known as Scottish and Southern Energy Power Distribution.

The electricity industry is subject to extensive legal and regulatory obligations and controls with which both SHEPD and SEPD must comply. SHEPD and SEPD are regulated by the Authority. The principal objective and duties of the Authority are described above. The general duties of an electricity distribution licence holder under the Electricity Act 1989 are to develop, operate and maintain an efficient, co-ordinated and economical system of electricity distribution, and to facilitate competition in the supply and generation of electricity. Under the licence, where it is reasonable to do so, each of SHEPD and SEPD is under a statutory duty to connect any customer requiring electricity within its area and to maintain that connection. In each case, its licence may be terminated on 25 years' notice given by the Secretary of State and may be revoked immediately in certain circumstances including insolvency or failure to comply with an enforcement order made by OFGEM.

Under the RIIO price control framework the revenue that each of SHEPD and SEPD can earn is subject to control. Revenue is also linked to delivery of specific outputs.

SHEPD's and SEPD's operations are regulated under their distribution licences pursuant to which income generated is subject to a regulatory framework that provides economic incentives on the quality of service customers experience (reliability, connections, safety, environment and social). OFGEM published its final determinations on the current RIIO-ED1 price control period on 28 November 2014, and SHEPD and SEPD confirmed their intention to accept this determination on 19 December 2014. The final determinations set the base revenue for SHEPD and SEPD for the 8 years from 1 April 2015.

The second RIIO price control for distribution (RIIO-ED2) starts on 1 April 2023 and runs for five years. OFGEM initiated the ED2 process in Summer 2019 when it published its open letter framework consultation. OFGEM's decision was subsequently published in December 2019. This confirmed that RIIO-ED2 will focus on enabling the delivery of net zero while trying to protect customers from over-investment in the short term, enhanced stakeholder engagement, and supporting greater efficiency savings and value for money for customers, particularly customers in vulnerable situations. OFGEM has stated that the RIIO-ED2 price control will be tough but fair and that companies should expect lower returns. In December 2020 OFGEM released its Sector Specific Methodology Decision. The SSEN distribution companies submitted their initial business plans to OFGEM and the Challenge Group in July 2021. The final business plan was submitted on 1 December 2021, following feedback from OFGEM and the Challenge Group.

This five-year period will be crucial for meeting climate ambition and OFGEM has recognised the central role distribution network operators will play in delivering a net zero electricity system. Respective net zero targets set by the UK and Scottish governments are expected to be as much as treble electricity demand by 2050. New demand on the distribution network will be driven by electrification of the UK's heat and transport sectors. Research commissioned by SSEN shows that EV ownership will increase from 44,000 today to 5 million by 2050 in SHEPD and SEPD distribution areas alone, with around 1.3 million of these forecast by 2028, alongside 800,000 heat pumps in the same timeframe. RIIO-ED2 must provide a platform for cost-effective transition to net zero, prioritising the needs of existing and future customers. SSEN is engaging with OFGEM to support a fair and balanced settlement that builds upon the success of RIIO-ED1 and secures the investment needed for decarbonisation of the system, network reliability and improvements in customer service.

The SSEN distribution companies submitted their initial business plans to OFGEM on 1 December 2021. This stakeholder-led plan was informed by comprehensive engagement with consumers, network users and all interested parties to deliver outcomes that create lasting value and empower the communities SSEN serves. It also incorporated feedback from OFGEM's RIIO2 Challenge Group and Customer Engagement Groups which have been specifically established by OFGEM to scrutinise companies' plans. SSEN's plan includes supporting the

development of Local Authority Energy Plans, reducing its own carbon emissions and scaling up its use of market-based solutions as alternatives to network reinforcement.

In the shorter term, distribution networks are well placed to accelerate a green economic recovery through targeted investment in network infrastructure. SSEN continues to engage with government and OFGEM on measures that could unlock this investment in the remaining years of RIIO-ED1 and will continue to advocate constructively for a regulatory framework that meets the needs of current and future customers whilst also delivering the investment required to deliver a smart, flexible and equitable transition to net zero.

On 22 June 2016, the Authority issued a notice under paragraph 2 of schedule 6A of the Competition Act 1998 outlining proposals to accept commitments made by the SSE Group in relation to its network connections business. The Authority's proposals went out for consultation, which closed on 3 August 2016. The Authority considered representations made and consulted the CMA and European Commission. Acceptance of these commitments was confirmed by OFGEM's final decision notice of 7 November 2016. This closed the 22 month investigation into allegations that SSE's processes and practices in the provision of connection information and quotations impeded competition in the SEPD licensed area. The notice did not make any finding on alleged infringement of competition law and OFGEM closed its investigation. The commitments offered are legally binding and as a result the SSE Group put in place new processes and procedures in relation to its connections activities. Reports are now submitted to OFGEM on an annual basis to confirm ongoing compliance with commitments. Arrangements are audited by an independent third party and their report is also submitted to OFGEM. OFGEM considers that the commitments made fully address the competition concerns identified and to date no material issues have been identified in routine reports presented to OFGEM. These commitments are due for review in May 2022 when OFGEM can choose to relinquish them. SSE has started initial discussions with OFGEM on this.

Electricity Generation

The SSE Group's generation businesses generate electricity under licences issued under the Electricity Act 1989. The electricity generation licences oblige parties to accede to and/or comply with the sets of rules or "codes" ("**Codes**") that govern the operation of the electricity generation market. The main Codes are the Balancing and Settlement Code, the Connection and Use of System Code, the Distribution Connection and Use of System Agreement, the Grid Code and the Distribution Code. The current structure of the competitive UK market was put in place in 2005 when the England and Wales market rules were applied to Scotland, thereby creating the British Electricity Trading and Transmission Arrangements ("**BETTA**"). Significant modifications to the BETTA market operating rules require approval by the Authority.

While the SSE Group's generation businesses operate under such licences, electricity generation in the UK is a competitive activity and is not subject to price controls.

Following the passing of the Energy Act, a number of reforms to the UK electricity market have now been implemented, including the introduction of new long-term contracts (Contracts for Difference) to support low-carbon generation as well as a capacity mechanism to ensure generation capacity adequacy.

Construction of SSE Thermal's £350 million, 893MW CCGT at Keadby 2 in Lincolnshire, commissioning is currently under way and this will be followed by a performance validation period before handover in Q4 of calendar year 2022. The project, which is adjacent to the existing Keadby 1 station, will introduce Siemens' high efficiency, gas-fired generation technology to the UK. Its function is to provide flexibility to the market at enhanced thermal efficiency and a lower net carbon cost through the next two decades of transition to net zero. The unit secured a 15-year Capacity Mechanism contract in March 2020, commencing in October 2023, which underpins the business case of Europe's most efficient CCGT.

The environmental impact of the operation of large generating stations in the UK is regulated by the Environment Agency in England and Wales ("**EA**"), Natural Resources Wales in Wales ("**NRW**") and the Scottish Environmental Protection Agency in Scotland ("**SEPA**"). EA and SEPA were both established under the Environment Act 1995, whereas NRW only became operational from 1 April 2013 when it took over the

management of natural resources of Wales. The operation of the SSE Group's generating plant in England and Wales and Scotland is carried out under permits issued by the relevant regulator. These permits impose limits on all activities that could impact the environment, including emissions to air and water and the production and disposal of wastes. Formal statutory notices may be issued by EA, NRW and SEPA in relation to any environmental incidents. The EA also issues permits under the EU emissions trading scheme for carbon dioxide emissions and ensures industry compliance with such scheme. The SSE Group's carbon emissions data is externally verified by a UK accreditation service.

Electricity and Gas Supply

The SSE Group's non-domestic electricity and gas supply businesses operate under licences issued under the Electricity Act 1989 and the Gas Act 1986. The provisions of such licences are regulated by the Authority. The principal objective and duties of the Authority are described above (see “—Regulatory Environment—Electricity Generation”). While the SSE Group's supply businesses operate under licence, the supply of electricity and gas in the UK is a competitive activity and is not subject to price controls.

Following the reference by OFGEM to the CMA to investigate the supply and acquisition of energy in the UK, the CMA's Final Report established that wholesale gas-markets are liquid and transparent and do not act as a barrier to entry or lead to other market inefficiencies; vertical integration does not give companies an unfair advantage; there is no unilateral market power in generation; there is no “over-compensation” of generators; and there is no coordination, tacit or otherwise, between household energy suppliers.

Notwithstanding this, suppliers remain under pressure to evolve and adapt in response to competition and changing customer expectations at a time of considerable regulatory and technological change. This includes the ongoing rollout of smart meters (as part of the ‘post-2020’ smart metering framework that sets installation targets for each supplier until 2025), the expected launch of faster switching during summer 2022, and the ongoing work towards the launch of market-wide half hourly settlement (targeted for October 2025).

SSE believes strongly in the potential for smart meters to transform its relationship with customers and is focused on delivering its obligation to roll out smart meters in a way which is safe, minimises the costs and maximises the benefits for customers. While progress has been made - with SSE being the first to install a three-phase meter at a non-domestic property – the programme continues to face issues in the form of outstanding technical industry constraints on meter functionality and central system infrastructure. The key challenge, however, is around driving customer demand for smart meters, with non-domestic customers taking into account several factors including system impact, cost / benefit of any installation, business disruption and safety. SSE has introduced exclusive offers for customers taking a smart meter and SSE continues to support the work of Smart Energy GB to raise awareness and interest in smart meters more generally.

Supplier failures

In November 2020, OFGEM published its decision on the Supplier Licensing Review. This introduced new requirements to improve ongoing standards for suppliers. This included new principles-based requirements to manage responsibly costs that could be mutualised and to take appropriate action to minimise such costs, and to ensure senior management teams are ‘fit and proper’ persons. OFGEM now have additional powers to require independent audits to be undertaken and to take action where a trade sale/purchase undermines existing ‘Supplier of Last Resort’ processes and increases the probability of costs being mutualised.

However, the energy supply market is currently seeing unprecedented levels of supplier failure, with more than 27 suppliers entering into insolvency processes in 2021. These remain concentrated towards suppliers that operate in the domestic market, with only a handful of non-domestic only suppliers failing during this time. This introduces substantial and unplanned financial pressure to existing participants. The mutualisation costs of non-payments to social and environmental programmes must be paid for by active suppliers and their customers. These costs are unplanned and have the potential to be significant, and combined with the increased Gas Transportation and Distribution Use of System charges that collect the revenue to fund the industry supplier of last resort levy, these

additional costs are likely to increase the financial burden on other struggling suppliers. This heightens the likelihood of more failures, which puts strain on the market and poses risks to SSE.

The amount of these costs will not be known for some time.

Microbusiness review

In May 2019 OFGEM published its Call for Evidence regarding the state of the market for microbusiness customers. This follows the implementation work undertaken by OFGEM on the CMA remedies, such as the Price Transparency remedy, which was introduced in June 2017. This remedy requires suppliers to provide clear prices to microbusiness customers through a quotation tool on their own websites or Price Comparison Websites and is well supported across the market. OFGEM considers, however, that the market interventions made to date have not been effective in improving outcomes for microbusiness customers. OFGEM highlights that it has identified a continuing lack of transparency for customers, low engagement in the market and concerns regarding the approach taken by brokers. OFGEM published its initial policy proposals in July 2020, highlighting that “engagement levels are relatively high in the microbusiness segment with around three in four microbusinesses on a negotiated, fixed-term deal, and the majority of businesses are able to negotiate bespoke contracts that suit their needs and agree competitive prices where they switch to a new supplier or agree a new deal with their existing provider”. However, OFGEM noted that “the activities of a minority of brokers is causing particular harm in individual cases” and that intervention was likely to be needed to mitigate this. A decision on these proposals is expected imminently and is likely to include requirements to provide more transparency of broker commissions, a cooling-off period and a new dispute resolution scheme for complaints relating to brokers. This will be considered further by Business, Energy & Industrial Strategy as part of their broader call for evidence on the role of third party intermediaries in the energy market, announced as part of their work on the Retail Strategy for the energy market.

Scottish Hydro Electric Power Distribution plc

Scottish Hydro Electric Power Distribution plc (“SHEPD”) was incorporated with limited liability in Scotland under the Companies Act 1985 with registration number SC213460 on 4 December 2000 for an unlimited term, and is a 100 per cent. indirectly owned subsidiary of SSE. SHEPD was originally incorporated as Dunwilco (847) Limited, and on 8 January 2001 it changed its name to SSE Distribution (North) Limited. On 8 March 2001 it changed its name to Scottish Hydro-Electric Power Distribution Limited and on 25 August 2006 it changed again to become Scottish Hydro-Electric Power Distribution plc. On 2 February 2007 the hyphen was dropped and it became Scottish Hydro Electric Power Distribution plc. The address of SHEPD’s registered office is Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ and the telephone number of the main switchboard at the registered office is 0800 048 3516. The website of SHEPD is <https://www.ssen.co.uk/home/>. No information on such website forms part of this Prospectus except as specifically incorporated by reference, see “Documents Incorporated by Reference”.

The north of Scotland electricity distribution business of SSE was transferred to SHEPD on 1 October 2001 through a statutory transfer scheme under the Utilities Act 2000. SHEPD’s principal activity is the distribution of electricity to around 740,000 customers in the north of Scotland. It currently has over 50,000 kilometres of electricity mains on commission and also provides electricity connections within SHEPD’s licensed area and owns and operates a number of the out of area electricity networks in the rest of Scotland.

SHEPD is the subject of incentive-based regulation by the industry regulator, the OFGEM, which sets the prices that can be charged for the use of the electricity network, the allowed capital and operating expenditure, within a framework known as the price control. In broad terms, OFGEM seeks to strike the right balance between attracting investment in electricity networks, encouraging companies to operate the networks as efficiently as possible and ensuring that prices for customers are no higher than they need to be. OFGEM also places specific incentives on companies to improve their efficiency and quality of service. SHEPD is currently in RIIO-ED1 (Revenue = Incentives + Innovation + Outputs) price control period which runs for eight years from 1 April 2015 until 31 March 2023.

SHEPD’s strategy and main objectives are to:

- comply fully with all electricity network safety standards and environmental requirements;
- ensure that the electricity network is managed as efficiently as possible, including maintaining tight controls over operational expenditure;
- provide good performance in areas such as reliability of supply, customer service and innovation and thus earn additional incentive-based revenue under the various OFGEM schemes;
- deliver efficient and innovative capital expenditure programmes, so that the number and duration of power cuts experienced by customers is kept to a minimum;
- grow the RAV of the business and so secure increased revenue;
- engage constructively with the regulator, OFGEM, to secure regulatory outcomes that meet the needs of customers and investors; and
- engage with the wider networks industry and other stakeholders to define and implement the process of distribution companies moving to a Distribution System Operator (“DSO”) role.

Board of Directors of SHEPD

As at the date of this Prospectus, the members of the Board of Directors of SHEPD, all of Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ, UK are as follows:

Name	Title	Significant Outside Activities
Gregor Alexander	Director	(See “— <i>Board of Directors of SSE</i> ” above)
Robert McDonald	Director	No significant outside activities
Chris Burchell	Director	No significant outside activities
Katherine Marshall	Director	No significant outside activities
Mark Rough	Director	No significant outside activities
Rachel McEwen	Director	No significant outside activities
Eliane Algaard	Director	No significant outside activities
Maz Alkirwi	Director	No significant outside activities
Sandy MacTaggart	Director	No significant outside activities
David Rutherford	Non-Executive Director	No significant outside activities
Gary Steel	Non-Executive Director	No significant outside activities

There are no potential conflicts of interest between the duties of any of the members of the Board of Directors of SHEPD and his/her private interests and/or other duties. Scottish Hydro Electric Transmission plc

Scottish Hydro Electric Transmission plc (“**SSEN Transmission**”) was incorporated with limited liability in Scotland under the Companies Act 1985 with registration number SC213461 on 4 December 2000 for an unlimited term, and is a 100 per cent. indirectly owned subsidiary of SSE. SSEN Transmission was originally incorporated as Dunwilco (848) Limited and on 8 January 2001 changed its name to SSE Transmission Limited. On 8 March 2001 it changed its name to Scottish Hydro-Electric Transmission Limited and on 2 February 2007 the hyphen was dropped and it became Scottish Hydro Electric Transmission Limited with a further name change to Scottish Hydro Electric Transmission plc on 25 October 2012. The address of SSEN Transmission’s registered office is Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ and the telephone number of the main switchboard at the registered office is 0800 048 3516. The website of SSEN Transmission is <https://www.ssen.co.uk/home/>. No information on such website forms part of this Prospectus except as specifically incorporated by reference, see “Documents Incorporated by Reference”.

SSEN Transmission is responsible for maintaining and investing in the transmission network in its area, which comprises around 5,334km of high voltage overhead lines and underground cables covering around 70 per cent. of the land mass of Scotland, serving remote and in some cases island communities. As the licensed transmission company for an area with a significant amount of generation from renewable resources seeking to connect to the electricity network, SSEN Transmission is required to ensure that there is sufficient network capacity for those seeking to generate electricity from renewable and other sources.

SSEN Transmission is the subject of incentive-based regulation by the industry regulator, OFGEM, which sets the revenue that is allowed to be recovered for use of the network, the allowed capital and operating expenditure, within a framework known as the price control. SSEN Transmission is currently in RIIO-T2 price control period which runs for five years from 1 April 2021 until 31 March 2026. In broad terms, OFGEM seeks to strike the right balance between attracting investment in electricity networks, encouraging companies to operate the networks as efficiently as possible and ensuring that prices for customers are no higher than they need to be. The RIIO price controls, which are common to all electricity and gas businesses regulated by OFGEM, sees additional emphasis placed on innovation, incentives and outputs, and require regulated businesses to take on additional risk and reward mechanisms, with the possibility of outperformance resulting in additional income or underperformance resulting in penalties.

SSEN Transmission’s strategy and main objectives are to:

- comply fully with all electricity network safety standards and environmental requirements;
- ensure that the electricity network is managed as efficiently as possible, including maintaining tight controls over operational expenditure and the delivery of the capital expenditure programme;
- provide good performance in areas such as reliability of supply, customer service and innovation;
- ensure there is sufficient network capacity for those seeking to generate electricity from renewable and other sources within the licensed network area;
- grow the RAV of the business, and so, secure increased revenue; and
- engage constructively with the regulator, OFGEM, to secure regulatory outcomes that meet the needs of customers and investors.

Board of Directors of SSEN Transmission

As at the date of this Prospectus, the members of the Board of Directors of SSEN Transmission, all of Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ, UK are as follows:

Name	Title	Significant Outside Activities
Gregor Alexander	Director	(See “— <i>Board of Directors of SSE</i> ” above)
Robert McDonald	Director	No significant outside activities
Chris Burchell	Director	No significant outside activities
Katherine Marshall	Director	No significant outside activities
Mark Rough	Director	No significant outside activities
Rachel McEwen	Director	No significant outside activities
Eliane Algaard	Director	No significant outside activities
Maz Alkirwi	Director	No significant outside activities
Sandy MacTaggart	Director	No significant outside activities
David Rutherford	Non-Executive Director	No significant outside activities
Gary Steel	Non-Executive Director	No significant outside activities

There are no potential conflicts of interest between the duties of any of the members of the Board of Directors of SSEN Transmission and his/her private interests and/or other duties. Southern Electric Power Distribution plc

Southern Electric Power Distribution plc (“SEPD”) was incorporated with limited liability in England and Wales under the Companies Act 1985 with registration number 04094290 on 23 October 2000 for an unlimited term and is a 100 per cent. indirectly owned subsidiary of SSE. SEPD was originally incorporated as Dunwilco (828) Limited, and on 10 January 2001 changed its name to SSE Distribution (South) Limited with a further name change to Southern Electric Power Distribution plc on 6 March 2001. The address of SEPD’s registered office is No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH and the telephone number of the main switchboard at the registered office is 0800 048 3516. The website of SEPD is <https://www.ssen.co.uk/home/>. No information on such website forms part of this Prospectus except as specifically incorporated by reference, see “Documents Incorporated by Reference”.

The south of England electricity distribution business of SSE was transferred to SEPD on 1 October 2001 through a statutory transfer scheme under the Utilities Act 2000. SEPD’s principal activity is the distribution of electricity to over 2.9 million customers in the South of England. It currently has around 78,000 kilometres of electricity mains on commission. SEPD also provides electricity connections within SEPD’s licensed area and owns and operates a number of out of area electricity networks in the rest of England and Wales.

SEPD is the subject of incentive-based regulation by the industry regulator, the OFGEM, which sets the prices that can be charged for the use of the electricity network, the allowed capital and operating expenditure, within a framework known as the price control. In broad terms, OFGEM seeks to strike the right balance between attracting investment in electricity networks, encouraging companies to operate the networks as efficiently as possible and ensuring that prices for customers are no higher than they need to be. OFGEM also places specific incentives on companies to improve their efficiency and quality of service. SEPD is currently in RIIO-ED1 (Revenue = Incentives + Innovation + Outputs) price control period which runs for eight years from 1 April 2015 until 31 March 2023.

SEPD's strategy and main objectives are to:

- comply fully with all electricity network safety standards and environmental requirements;
- ensure that the electricity network is managed as efficiently as possible, including maintaining tight controls over operational expenditure;
- provide good performance in areas such as reliability of supply, customer service and innovation and thus earn additional incentive-based revenue under the various OFGEM schemes;
- deliver efficient and innovative capital expenditure programmes, so that the number and duration of power cuts experienced by customers is kept to a minimum;
- grow the RAV of the business and so secure increased revenue;
- engage constructively with the regulator, OFGEM, to secure regulatory outcomes that meet the needs of customers and investors; and
- engage with the wider networks industry and other stakeholders to define and implement the process of distribution companies moving to a DSO role.

Board of Directors of SEPD

As at the date of this Prospectus, the members of the Board of Directors of SEPD, all of 55 Vastern Road, Reading RG1 8BU, UK are as follows:

Name	Title	Significant Outside Activities
Gregor Alexander	Director	(See " <i>— Board of Directors of SSE</i> " above)
Robert McDonald	Director	No significant outside activities
Chris Burchell	Director	No significant outside activities
Katherine Marshall	Director	No significant outside activities
Mark Rough	Director	No significant outside activities
Rachel McEwen	Director	No significant outside activities
Eliane Algaard	Director	No significant outside activities
Maz Alkirwi	Director	No significant outside activities
Sandy MacTaggart	Director	No significant outside activities
David Rutherford	Non-Executive Director	No significant outside activities
Gary Steel	Non-Executive Director	No significant outside activities

There are no potential conflicts of interest between the duties of any of the members of the Board of Directors of SEPD and his/her private interests and/or other duties.

TAXATION

General

The comments below are of a general nature and are not intended to be exhaustive. They apply only to persons who are beneficial owners of the Notes, and concern only certain withholding obligations and reporting requirements with respect to the Notes. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). Any Noteholders or Couponholders who are in doubt as to their own tax position should consult their professional advisers. In particular, Noteholders should be aware that the tax legislation of any jurisdiction where a Noteholder is resident or otherwise subject to taxation (as well as the jurisdiction discussed below) may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes

United Kingdom

The comments in this part are based on current United Kingdom tax law as applied in England and Wales, and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs), and are not intended to be exhaustive, in each case as at the latest practicable date before the date of this prospectus. The comments below do not deal with any other transaction implications of acquiring, holding or disposing of the Notes. References in this part to “interest” shall mean amounts that are treated as interest for the purposes of United Kingdom taxation.

1 Interest on the Notes

The Notes issued which carry a right to interest will constitute “quoted Eurobonds” within the meaning of section 987 of the Income Tax Act 2007 provided they are and continue to be listed on a recognised stock exchange, within the meaning of section 1005 Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Notes will be treated as listed on the London Stock Exchange if they are included in the Official List by the FCA and are admitted to trading on the London Stock Exchange.

Whilst the Notes are and continue to be quoted Eurobonds, payments of interest by the relevant Issuer on the Notes may be made without withholding or deduction for or on account of UK income tax.

In all other cases, interest will generally be paid by the relevant Issuer under deduction of UK income tax at the basic rate (currently 20 per cent.), subject to the availability of other reliefs or exceptions or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty. However, there should be no withholding or deduction for or on account of UK income tax if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the intention or effect of which is to render such Notes part of a borrowing with a total term of a year or more. If any amount must be withheld by the relevant Issuer on account of UK tax from payments of interest on the Notes then such Issuer will, subject to the provisions of Condition 9 of the Terms and Conditions of the Notes, pay such additional amounts as will result in the Noteholders or Couponholders receiving an amount equal to that which they would have received had no such withholding been required.

Interest on the Notes constitutes UK source income for UK tax purposes and, as such, may be subject to UK tax by direct assessment even where paid without withholding. However, interest with a UK source received without deduction or withholding on account of UK tax will not be chargeable to UK tax in the hands of a Noteholder who is not resident for tax purposes in the UK unless that Noteholder carries on a trade, profession or vocation in the UK through a UK branch or agency or, in the case of a corporate Noteholder, carries on a trade through a UK permanent establishment, in connection with which the interest is received or to which the Notes are attributable, in which case tax may be levied on the UK branch or agency, or

permanent establishment. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

The provisions relating to additional amounts referred to in Condition 9 of the Terms and Conditions of the Notes would not apply if HM Revenue and Customs sought to assess the person entitled to the relevant interest or (where applicable) profit on any Note directly to UK income tax. However, exemption from or reduction of such UK tax liability might be available under an applicable double taxation treaty.

2 Other Rules Relating to United Kingdom Withholding Tax

The reference to “interest” in this United Kingdom Taxation section means “interest” as understood in United Kingdom tax law, and in particular any premium element of the redemption amount of any Notes redeemable at a premium may constitute a payment of interest subject to the withholding tax provisions discussed above. In certain cases, amounts of discount where Notes are issued at a discount could also constitute a payment of interest. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

Proposed Financial Transaction Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**European Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a “**participating Member State**”). However, Estonia has since stated that it will not participate. The European Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the European Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established or deemed to be established in a participating Member State.

A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. In any event, the United Kingdom’s position has been that it will not be a participating Member State and, now that the United Kingdom has left the European Union as a result of Brexit, it is no longer a Member State.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Information Reporting

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the U.K.) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and

IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated 17 March 2022 (as amended or supplemented as at the Issue Date in respect of the relevant Notes, the “**Dealer Agreement**”) between the Issuers, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuers to the Permanent Dealers. However, each Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of such Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

Each Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuers have agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

Each Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Bearer Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury Regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of MiFID II; or
- (ii) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the relevant Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Belgium

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*), as amended from time to time (a "**Belgian Consumer**"), and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), unless otherwise specified before an offer of Notes, each Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes

are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

These selling restrictions may be modified by the agreement of the relevant Issuer (or, if applicable, all the Issuers) and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms, in all cases at its own expense, and neither the relevant Issuer nor any other Dealer shall have responsibility therefor.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

[SSE plc]

Legal entity identifier (LEI): 549300KI75VYLLMSK856/

[Scottish Hydro Electric Power Distribution plc]

Legal entity identifier (LEI): 549300OPROMBN0FGNC34/

[Scottish Hydro Electric Transmission plc]

Legal entity identifier (LEI): 549300ECJZDA7203MK64/

[Southern Electric Power Distribution plc]

Legal entity identifier (LEI): 549300SR1GYYNBZQGX56/

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €10,000,000,000**

Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a

distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”), and professional clients, as defined in Regulation EU No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA (“UK MiFIR”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[**Singapore Securities and Futures Act Product Classification** – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)¹⁰

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 17 March 2022 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK Prospectus Regulation**”). This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at the website of the London Stock Exchange <http://londonstockexchange.com/exchange/news/market-news/market-news-home.html> and during normal business hours copies may be obtained from [●].

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and incorporated by reference into the Prospectus dated 17 March 2022. This document constitutes the Final Terms of the Notes described herein for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK Prospectus Regulation**”) and must be read in conjunction with the Prospectus dated 17 March 2022 [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the UK Prospectus Regulation, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus(es) to it dated [●]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectuses [and the supplemental Prospectuses] are available for viewing at the website of the London Stock Exchange <http://londonstockexchange.com/exchange/news/market-news/market-news-home.html> and during normal business hours copies may be obtained from [●].

¹⁰ For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

1	Issuer:	[SSE plc]/ [Scottish Hydro Electric Power Distribution plc]/ [Scottish Hydro Electric Transmission plc]/ [Southern Electric Power Distribution plc]
2	(i) [Series Number:]	[●]
	(ii) [Tranche Number:]	[●]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount of Notes:	[●]
	(iii) [Series:]	[●]
	(iv) [Tranche:]	[●]
	(v) [Date on which the Notes become fungible:]	Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with [●] on [●]/the Issue Date/ exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [29] below [which is expected to occur on or about [●]].]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i) Specified Denominations:	[●] [and integral multiples of [●] in excess thereof up to and including [●]. No notes in definitive form will be issued with a denomination above [●]
	(ii) Calculation Amount:	[●]
7	(i) Trade Date:	[●]
	(ii) Issue Date:	[●]
	(iii) Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
8	Maturity Date:	[●]
9	Interest Basis:	[[●] per cent. Fixed Rate [, subject to the Step Up Option]] [[EURIBOR/SONIA] +/- [●] per cent. Floating Rate [, subject to the Step Up Option]] [Zero Coupon] [RPI Linked] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [RPI Linked Redemption]
11	Change of Interest Redemption/Payment Basis:	or [●]/Not Applicable
12	Put/Call Options:	[General Put] [Restructuring Event Put] [Change of Control Put] [SSE Restructuring Event Put] [Issuer Call] [Make-Whole Call] [Issuer Maturity Par Call] [Clean-Up Call]

- 13 [[Date [Board] approval for issuance of [●] [and [●], respectively]]
Notes obtained:]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option]
(If the Notes are subject to the Step Up Option)
[The Initial Rate of Interest is] [●] per cent. per annum
[payable [annually/semi annually/quarterly] in arrear]
[(further particulars specified in paragraph 18 below)]
- (ii) Interest Payment Date(s): [●] in each year
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [Actual/Actual][Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30/360/360/360/Bond Basis]
[30E/360/Eurobond Basis]
[30E/360 (ISDA)]
[Actual/Actual (ICMA)]
- (vi) [Determination Dates: [[●] in each year/[Not Applicable]]
- 15 Floating Rate Note Provisions: [Applicable/Not Applicable]
- [The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option]
[(further particulars specified in paragraph 18 below)]
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Interest Period Date: [●]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (vi) Business Centre(s): [●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [●]
- (ix) Screen Rate Determination:
- Reference Rate: [EURIBOR][SONIA Compounded Index Rate / SONIA Compounded Daily Reference Rate [with Observation Shift] / [with Lag] where “p” is: *[specify number]* London Business Days *[being no less than [5] London Business*

- Days]] / [insert other applicable reference rates included in terms and conditions]*
- Interest Determination Date(s): [The date which is [“p”] London Business Days prior to each Interest Payment Date¹¹ / [2 London Business Days] prior to the first day in each Interest Period]¹²
 - Relevant Screen Page: [●][[Bloomberg Screen Page : SONCINDX]¹³ / *see pages of authorised distributors for SONIA Compounded Index Rate*] or [Bloomberg Screen Page : SONIO/N Index]¹⁴ / *SONIA Compounded Daily Reference Rate as applicable*]
 - Relevant Fallback Screen Page: [[Bloomberg Screen Page : SONIO/N Index] / *see pages of authorised distributors for SONIA Compounded Daily Reference Rate as applicable*] [●]¹⁵
- (x) ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - [ISDA Definitions: 2006]
- (xi) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (xii) Margin(s): *(If the Notes are Sustainability-Linked Notes)* [The Initial Margin is] [+/-][●] per cent. per annum
- (xiii) Minimum Rate of Interest: [●] per cent. per annum
- (xiv) Maximum Rate of Interest: [●] per cent. per annum
- (xv) Day Count Fraction: [Actual/Actual][Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30/360/360/360/Bond Basis]
[30E/360/Eurobond Basis]
[30E/360 (ISDA)]
[Actual/Actual (ICMA)]
- 16 Zero Coupon Note Provisions: [Applicable/Not Applicable]
- (i) Amortisation Yield: [●] per cent. per annum
 - (ii) Day Count Fraction in relation to Early Redemption Amount: [Actual/Actual] [Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]

¹¹ Use this first option for SONIA notes. The Interest Determination Date should match the last day of the Observation Period.

¹² Use this second option for IBORs or other forward-looking term rates.

¹³ Where SONIA Compounded Index Rate applies. See here for details of the authorised redistributors of SONIA data: <https://www.bankofengland.co.uk/markets/sonia-benchmark/sonia-key-features-and-policies>. The SONIA Compounded Index Rate is also published by Refinitiv and ICE Group.

¹⁴ Where SONIA Compounded Daily Reference Rate applies. See here for details of the authorised redistributors of SONIA data: <https://www.bankofengland.co.uk/markets/sonia-benchmark/sonia-key-features-and-policies>. The SONIA reference rate is also published by Refinitiv and ICE Group.

¹⁵ Only applicable in the case of SONIA Compounded Index Rate.

- [30/360/360/360/Bond Basis]
 [30E/360/Eurobond Basis]
 [30E/360 (ISDA)]
 [Actual/Actual (ICMA)]
- 17 RPI Linked Note Provisions: [Applicable/Not Applicable]
- (i) Rate of Interest: [●]/[Not Applicable]
- (ii) Base Index Figure: [●]/[Not Applicable]
- (iii) Reference Gilt: [●]/[Not Applicable]
- (iv) Index Figure applicable: [3 months lag/8 months lag]
- (v) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [●]/[Not Applicable]
- (vi) Interest Determination Date(s): [●]
- (vii) Interest Period(s): [●]
- (viii) Specified Interest Payment Dates: [●]
- (ix) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (x) Business Centre (s): [●]
- (xi) Minimum Rate of Interest: [●] per cent. per annum
- (xii) Maximum Rate of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction: [Actual/Actual] [Actual/Actual (ISDA)]
 [Actual/365 (Fixed)]
 [Actual/360]
 [30/360/360/360/Bond Basis]
 [30E/360/Eurobond Basis]
 [30E/360 (ISDA)]
 [Actual/Actual (ICMA)]

- 18 Step Up Option: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Step Up Event:
- Absolute GHG Emissions Scope 1 & Scope 2 Event [Applicable/Not Applicable]
 [(i) Absolute GHG Emissions Reference Year(s): [●] / [●]
 (ii) Absolute GHG Emissions Percentage Threshold(s): [●]% / [●]%]
- Carbon Intensity (Electricity Generation) Event [Applicable/Not Applicable]
 [(i) Carbon Intensity (Electricity Generation) Reference Year(s): [●] / [●]
 (ii) Carbon Intensity (Electricity Generation) Percentage Threshold(s): [●]% / [●]%]
- Renewable Energy Output Event [Applicable/Not Applicable]
 [(i) Renewable Energy Output Reference Year(s): [●] / [●]
 (ii) Renewable Energy Output Threshold(s): [●] / [●]]
- (ii) Step Up Margin: *(In relation to an Absolute GHG Emissions Scope 1 & Scope 2 Event:)* [[●] per cent. per annum / Not Applicable]
(In relation to a Carbon Intensity (Electricity Generation) Event:) [[●] per cent. per annum / Not Applicable]
(In relation to a Renewable Energy Output Event:) [[●] per cent. per annum / Not Applicable]

PROVISIONS RELATING TO REDEMPTION

- 19 Call Option: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s): [●] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]
- 20 Make-Whole Redemption: [Applicable/Not Applicable]
- (i) Make-Whole Redemption Date(s): [●]
- (ii) Make-Whole Amount(s):
- (a) Specified Time: [●]
- (b) Redemption Margin: [●] per cent.
- (iii) If redeemable in part: [●]
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]
- 21 Issuer Maturity Par Call: [Applicable/Not Applicable]
- Notice period: [●]

- 22 Clean-Up Call Option: [Applicable/Not Applicable]
(i) Clean-Up Redemption Amount: [●] per Note of [●] Specified Denomination
- 23 General Put Option: [Applicable/Not Applicable]
(i) Optional Redemption Date(s): [●]
(ii) Optional Redemption Amount(s): [●] per Calculation Amount
(iii) Notice period: [●]
- 24 Restructuring Event Put Option: [Applicable/Not Applicable]
(i) Restructuring Event Redemption Amount: [●]
(ii) Put Period: [●]
(iii) Put Date: [●]
- 25 Change of Control Put Option: [Applicable/Not Applicable]
(i) Change of Control Redemption Amount: [●]
(ii) Put Period: [●]
(iii) Put Date: [●]
- 26 SSE Restructuring Event Put Option: [Applicable/Not Applicable]
(i) SSE Restructuring Event Redemption Amount: [●]
(ii) Put Period: [●]
(iii) Put Date: [●]
- 27 Final Redemption Amount of each Note: [[●] per Calculation Amount]
[In cases where the Final Redemption Amount is RPI Linked:
(i) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent): [●]/[Not Applicable]
(ii) Determination Date(s): [●]
(iii) Payment Date: [●]
(iv) Minimum Final Redemption Amount: [●] per Calculation Amount
(v) Maximum Final Redemption Amount: [●] per Calculation Amount]
- 28 Early Redemption Amount:
Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption [●]
- 29 Indexation: [Applicable/Not Applicable]
(i) Base Index Figure: [●]
(ii) Reference Gilt: [●]
(iii) Index Figure applicable: [3 month lag]/[8 month lag]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 30 Form of Notes: Bearer Notes
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]
[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
[Registered Note]
- 31 New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable/Yes/No]
[Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][include this text for registered notes] and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[Include this text if "Yes selected, in which case the Notes must be issued in NGN form]*
[Whilst the designation is specified as "No" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)][include this text for registered notes]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]
- 32 Financial Centre(s): [Not Applicable/[●]]
- 33 Talons for future Coupons to be attached to Definitive Notes: [No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]
- 34 U.S. Selling Restrictions: [Reg. S Compliance Category 2; C RULES/ D RULES/ TEFRA not applicable]

THIRD PARTY INFORMATION

[[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:
Duly authorised

PART B—OTHER INFORMATION

1 LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Main Market of the London Stock Exchange plc and admitted to the Official List of the FCA with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Main Market of the London Stock Exchange plc and admitted to the Official List of the FCA with effect from [●].]
- (ii) Estimate of total expenses related to [●]
[●] admission to trading:

2 RATINGS

- Ratings: [[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:
[[S&P Global Ratings UK Limited: [●]]
[Moody's Investors Service Ltd.: [●]]
[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]
(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

["Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

4 [Fixed Rate Notes only — YIELD

- Indication of yield: [●]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5 [USE OF PROCEEDS

- Use of Proceeds: [General corporate purposes/To [finance/refinance] Eligible Green Projects]
(See "Use of Proceeds" wording in Prospectus)
- Estimated net proceeds: [●]

6 [RPI Linked only — PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING

Information relating to the UK Retail Price Index (all items) published by the Office of National Statistics can be found at www.statistics.gov.uk.]

7 OPERATIONAL INFORMATION

ISIN: [●]
Common Code: [●]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/[●]]
Delivery: Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any): [●]

GENERAL INFORMATION

- (1) The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or before 22 March 2022. Transactions will normally be effected for delivery on the third working day after the day of the transaction.
- (2) Each Issuer has obtained all necessary consents, approvals and authorisations in the UK in connection with the establishment of the Programme. The update of the Programme was authorised by (a) resolutions of the SSE Audit Committee passed on 12 November 2021, (b) resolutions of the Board of Directors of SHEPD passed on 24 February 2022, (c) resolutions of the Board of Directors of SSEN Transmission passed on 24 February 2022 and (d) resolutions of the Board of Directors of SEPD passed on 24 February 2022, respectively.
- (3) Save for the impact of the coronavirus pandemic (i) disclosed in the unaudited interim financial statements of SSE for the six months ended 30 September 2021, and (ii) referred to in the sections headed “Description of the Issuer-Impact of coronavirus on the SSE Group” on p.96 of this Prospectus and “Risk Factors-Coronavirus” on pp.11-12 of this Prospectus, there has been no significant change in the financial performance or financial position of (a) SSE or the SSE Group since 30 September 2021 to the date of this Prospectus or (b) SHEPD, SSEN Transmission or SEPD since 31 March 2021 to the date of this Prospectus.

Save for the impact of the coronavirus pandemic (i) disclosed in the unaudited interim financial statements of SSE for the six months ended 30 September 2021, and (ii) referred to in the sections headed “Description of the Issuer-Impact of coronavirus on the SSE Group” on p.96 of this Prospectus and “Risk Factors-Coronavirus” on pp.11-12 of this Prospectus, there has been no material adverse change in the prospects of (a) SSE or the SSE Group since 31 March 2021 to the date of this Prospectus or (b) SHEPD, SSEN Transmission or SEPD since 31 March 2021 to the date of this Prospectus.

- (4) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SSE, SHEPD, SSEN Transmission or SEPD (as the case may be) is aware) involving (a) SSE or any of its subsidiaries or (b) SHEPD, SSEN Transmission or SEPD during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of SSE and/or its subsidiaries or SHEPD, SSEN Transmission or SEPD (as applicable).
- (5) Each Bearer Note having a maturity of more than one year, and any Coupon or Talon with respect to such Bearer Note will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- (6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

- (7) The Legal Entity Identifier code of:
 - SSE plc is 549300KI75VYLLMSK856;
 - Scottish Hydro Electric Power Distribution plc is 549300OPROMBN0FGNC34;

- Scottish Hydro Electric Transmission plc is 549300ECJZDA7203MK64; and
 - Southern Electric Power Distribution plc is 549300SR1GYYNBZQGX56.
- (8) The website of the Issuer is <https://www.sse.com/>. The information on <https://www.sse.com/> does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.
- (9) For a period of 12 months following the date of this Prospectus, copies of the following documents will be available on the website of SSE at <https://sse.com/investors/>:
- (i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);
 - (ii) the Agency Agreement;
 - (iii) the Memorandum and Articles of Association of each Issuer;
 - (iv) the published annual report and audited consolidated financial statements of SSE for the financial years ended 31 March 2020 and 31 March 2021, respectively, the interim results of SSE for the six months ended 30 September 2021, and the audited financial statements of SHEPD, SSEN Transmission and SEPD for the financial years ended 31 March 2020 and 31 March 2021, respectively;
 - (v) each Final Terms;
 - (vi) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and
 - (vii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Prospectus.

The Prospectus is and, the Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be, published on the website of the London Stock Exchange at <http://www.londonstockexchange.com>.

- (10) Ernst & Young LLP, Chartered Accountants (regulated by the Institute of Chartered Accountants of England and Wales) rendered unqualified audit reports on (i) the consolidated financial statements of SSE for the financial year ended 31 March 2020 and 31 March 2021 and (ii) the financial statements of SHEPD, SSEN Transmission and SEPD for the financial year ended 31 March 2020 and 31 March 2021.
- (11) The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.
- (12) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for any of the Issuers, and/or their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of any of the Issuers and/or their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of any the Issuers or the Issuers' affiliates. Certain of the Dealers or their affiliates that have a lending relationship with any of the Issuers routinely hedge their credit exposure to that Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by

entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

REGISTERED OFFICES OF THE ISSUERS

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