



## SSE plc

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

### €1,000,000,000 Capital Securities

Issue Price: 100 per cent.

The €1,000,000,000 Capital Securities (the “**Securities**”) will be issued by SSE plc (the “**Issuer**”) on 21 April 2022 (the “**Issue Date**”). The Securities will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 21 April 2028 (the “**First Reset Date**”) at a rate of 4.000 per cent. per annum, payable annually in arrear on 21 April in each year. Thereafter, unless previously redeemed, the Securities will bear interest from (and including) the First Reset Date to (but excluding) 21 April 2033 at a rate per annum which shall be 2.696 per cent. above the 5 year Swap Rate (as defined in the “*Terms and Conditions of the Securities*” (the “**Conditions**”)) for the relevant Securities Reset Period (as defined in the Conditions), payable annually in arrear on 21 April in each year. From (and including) 21 April 2033 to (but excluding) 21 April 2048 the Securities will bear interest at a rate per annum which shall be 2.946 per cent. above the 5 year Swap Rate for the relevant Securities Reset Period payable annually in arrear on 21 April in each year, and from (and including) 21 April 2048, the Securities will bear interest at a rate per annum which shall be 3.696 per cent. above the 5 year Swap Rate for the relevant Securities Reset Period payable annually in arrear on 21 April in each year, all as more particularly described in “*Terms and Conditions of the Securities—Interest Payments*”. If the Issuer does not elect to redeem the Securities in accordance with Condition 6(g) thereof following the occurrence of a Change of Control Event (as defined in the Conditions), the then prevailing interest rate per annum (and each subsequent interest rate per annum otherwise determined in accordance with the Conditions) for the Securities shall be increased by 5 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred, see “*Terms and Conditions of the Securities—Interest Payments—Step-up after Change of Control Event*”.

The Issuer may, at its discretion, elect to defer all or part of any payment of interest on the Securities as more particularly described in “*Terms and Conditions of the Securities—Optional Interest Deferral*”. Any amounts so deferred, together with further interest accrued thereon (at the interest rate per annum prevailing from time to time), shall constitute Arrears of Interest (as defined in the Conditions). The Issuer may pay outstanding Arrears of Interest, in whole or in part, at any time in accordance with the Conditions. Notwithstanding this, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date (as defined in the Conditions) following the Interest Payment Date on which a Deferred Interest Payment (as defined in the Conditions) arose, all as more particularly described in “*Terms and Conditions of the Securities—Optional Interest Deferral—Mandatory Settlement*”.

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3(a)) only have the right to repay them in accordance with the provisions of Condition 6. The Securities shall be redeemable (at the option of the Issuer) in whole but not in part on any date in the period commencing on 21 January 2028 to (and including) the First Reset Date of the Securities and on any Interest Payment Date thereafter, at the principal amount of the Securities, together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Arrears of Interest. In addition, upon the occurrence of an Accounting Event, a Capital Event, a Change of Control Event, a Substantial Repurchase Event, a Tax Event or a Withholding Tax Event (each such term as defined in the Conditions), the Securities shall be redeemable (at the option of the Issuer) in whole but not in part at the prices set out, and as more particularly described, in “*Terms and Conditions of the Securities—Redemption*”.

The Issuer may, upon the occurrence of an Accounting Event, a Capital Event, a Tax Event or a Withholding Tax Event, at any time, without the consent of the holders of the Securities, either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become, as the case may be, Qualifying Securities, in each case in accordance with Condition 7 and subject to the receipt by the Trustee of the certificate of the directors of the Issuer referred to in Condition 8.

The Securities will be unsecured securities of the Issuer and will constitute subordinated obligations of the Issuer, all as more particularly described in “*Terms and Conditions of the Securities—Status*” and “*Terms and Conditions of the Securities—Subordination*”.

Payments in respect of the Securities shall be made free and clear of, and without withholding or deduction for, or on account of, taxes of the Relevant Taxing Jurisdiction, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts may be payable by the Issuer, subject to certain exceptions as are more fully described in “*Terms and Conditions of the Securities—Taxation*”.

Application has been made to the United Kingdom (“**UK**”) Financial Conduct Authority (the “**FCA**”) for the Securities 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 the Securities to be admitted to trading on the London Stock Exchange’s Main Market (the “**Market**”). References in this Prospectus to Securities being “**listed**” (and all related references) shall mean that the Securities have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (“**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 an endorsement of the Issuer or the quality of the Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Securities.

The Securities will initially be represented by a temporary global security (the “**Temporary Global Security**”), without interest coupons or talons, which will be deposited with a common depositary on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) on or prior to the Issue Date. The Temporary Global Security will be exchangeable for interests in a permanent global security (the “**Permanent Global Security**”) and, together with the Temporary Global Security, the “**Global Securities**”), without interest coupons or talons, on or after a date which is expected to be 1 June 2022, upon certification as to non-U.S. beneficial ownership. The Permanent Global Security will be exchangeable for definitive Securities in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000 in the limited circumstances set out in “*Summary of Provisions relating to the Securities while in Global Form*”. No definitive Securities will be issued with a denomination above €199,000.

The Securities are expected to be rated BBB- by S&P Global Ratings UK Limited (“**S&P**”) and Baa3 by Moody’s Investors Service Ltd. (“**Moody’s**”) (each, a “**Rating Agency**”). Each of S&P and Moody’s is established in the UK and is 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 S&P and Moody’s 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**”). 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.

**Investing in the Securities involves a high degree of risk.** Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus.

**STRUCTURING ADVISOR AND GLOBAL CO-ORDINATOR**

**BNP PARIBAS**

**JOINT BOOKRUNNERS**

**BBVA**

**BofA Securities**

**BNP PARIBAS**

**Morgan Stanley**

**MUFG**

**RBC Capital Markets**

This Prospectus together with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”) comprises a prospectus for the purposes of the UK Prospectus Regulation. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

This Prospectus is to be read in conjunction with all the documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Prospectus. Other than in relation to the documents which are deemed to be incorporated by reference (see “*Documents 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.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers (as defined in “*Subscription and Sale*” below) to subscribe or purchase, any of the Securities. The distribution of this Prospectus and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of the Securities and distribution of this Prospectus, see “*Subscription and Sale*” below.

This Prospectus contains certain forward-looking statements about SSE and the SSE Group. Discussions of strategy, plans, objectives, goals, future events or intentions or words such as “anticipates”, “believes”, “expects”, “plans”, “intends”, “targets”, “aims”, “estimates”, “projects”, “will”, “would”, “may”, “could”, “should” or “continue” or, in each case, their negative or other variations or comparable terminology, and similar expressions, are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding SSE and the SSE Group’s financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause SSE and the SSE Group’s actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on current estimates and assumptions regarding SSE and the SSE Group’s present and future business strategies and the environment in which SSE and the SSE Group expect to operate in the future. Accordingly, potential investors are strongly advised to read the following sections of this Prospectus: “*Risk Factors*” and “*Description of the Issuer*”. These sections include more detailed descriptions of factors that might have an impact on SSE and the SSE Group’s business and the market in which they operate. Forward-looking statements speak only as of the date of this Prospectus and SSE expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements in this Prospectus to reflect any change in SSE’s expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, SSE cannot assure you that projected results or events will be achieved and SSE cautions you not to place undue reliance on these statements.

None of the Managers, the Trustee, the Agents nor any of their respective affiliates has authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus or any responsibility for any acts or omissions of the Issuer or any other person in connection with the issue and offering of the Securities.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers (as defined in “*Subscription and Sale*” below). 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 the 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 the 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 Securities 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.

To the greatest extent permitted by law, the Managers, the Trustee, the Agents and their respective affiliates accept no responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by the Issuer or on its behalf in connection with the Issuer or the issue and offering of the Securities. The Managers, the Trustee, the Agents and their respective affiliates accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Prospectus or any such statement.

**EU MiFID II product governance / professional investors and ECPs only target market** – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, “**EU MiFID II**”) and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (an “**EU distributor**”) should take into consideration the manufacturers’ target market assessment; however, an EU distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

**UK MiFIR product governance / professional investors and ECPs only target market** – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a “**UK distributor**”) should take into consideration the manufacturers’ target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

**Prohibition of sales to EEA retail investors** – The Securities 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 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 EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**Prohibition of sales to UK retail investors** – The Securities 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 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; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (as amended), 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 Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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**”), the Issuer has determined and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the “**MAS**”) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to U.S. persons.

The Securities may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (d) understand thoroughly the terms of the Securities and be familiar with the behaviour of the relevant indices and financial markets and of any financial variable which might have an impact on the return on the Securities; and
- (e) 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.

The Securities are complex financial instruments and such instruments may be purchased by potential investors 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 the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor’s overall investment portfolio.

Prospective investors should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Securities.

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.

A credit rating is not a statement as to the likelihood of deferral of interest on the Securities. Holders of the Securities (respectively, the “**Holders**”) have a greater risk of deferral of interest payments than persons holding other securities with similar credit ratings but no, or more limited, interest deferral provisions. In addition, each of the Rating Agencies, or any other rating agency, may change its methodologies for rating securities with features similar to the Securities in the future. This may include the relationship between ratings assigned to an issuer’s senior securities and ratings assigned to securities with features similar to the Securities, sometimes called notching. If the Rating Agencies were to change their practices for rating such securities in the future and the ratings of the Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Securities. Moreover, if the status of the rating agency rating the Securities changes, EU and/or UK regulated investors may no longer be able to use the rating for regulatory purposes and the Securities may have a different regulatory treatment which may result in EU and/or UK regulated investors selling the Securities.

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) the Securities are legal investments for it, (2) the Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities 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 (as defined herein) within its financial publications to supplement disclosures prepared in accordance with other regulations. These measures may not be comparable to similarly titled measures used by other companies. 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 164 to 170 of the Issuer’s 2020 Annual Report, pages 172 to 178 of the Issuer’s 2021 Annual Report and pages 52 to 58 of the Issuer’s 2021/2022 Interim Financial Statements (each incorporated by reference herein).

Unless otherwise specified or the context requires, references to “**£**” and “**sterling**” are to the lawful currency of the United Kingdom, and references to “**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.

In connection with the issue of the Securities, BNP Paribas (the “**Stabilisation Manager**”) (or any person acting on behalf of the Stabilisation Manager) may over-allot the Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation

Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws, directives and rules.

## DOCUMENTS INCORPORATED BY REFERENCE AND SUPPLEMENTARY PROSPECTUS

### Documents incorporated by reference

The following documents, which have previously been published or are published simultaneously with this Prospectus and have been filed with the FCA, and shall be deemed to be incorporated in, and form part of, this Prospectus:

- (i) the audited consolidated financial statements of the Issuer for the financial year ended 31 March 2020, together with the independent audit report thereon and discussion around alternative performance measures, which are included on pages 171 to 239 and pages 285 to 299 and 164 to 170 respectively of the 2020 Annual Report of the Issuer, available for inspection and viewing on the website of the Issuer at the following address: <https://www.sse.com/media/jqcamklf/sse-32693-annual-report-2020-web-1.pdf>;
- (ii) the audited consolidated financial statements of the Issuer for the financial year ended 31 March 2021, together with the independent audit report thereon and discussion around alternative performance measures, which are included on pages 179 to 249 and pages 296 to 306 and 172 to 178 respectively of the 2021 Annual Report of the Issuer, available for inspection and viewing on the website of the Issuer at the following address: <https://www.sse.com/media/rwhbww02/sse-annual-report-2021.pdf>; and
- (iii) the unaudited consolidated financial statements of the Issuer for the six months ended 30 September 2021, together with the independent review report thereon and discussion around alternative performance measures, which are included on pages 59 to 99 and pages 103 and 52 to 58 respectively of the 2021/2022 Interim Financial Statements of the Issuer, available for inspection and viewing on the website of the Issuer at the following address: <https://www.sse.com/media/wr3punmf/hy22-interim-statement-final.pdf>,

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

Such documents 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 the prospective investors in the Securities or the relevant information is included elsewhere in this Prospectus.

Copies of the Documents Incorporated by Reference may be obtained (without charge) from the Issuer’s website following the links above. In addition, copies of the Documents Incorporated by Reference are available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and will be available at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

Other than indicated above, neither the content of the Issuer’s website, nor the content of any website accessible from hyperlinks on the Issuer’s website, is incorporated into, or forms part of, this Prospectus and investors should not rely on them, without prejudice to the Documents Incorporated by Reference into this Prospectus, which are made available on the Issuer’s website.



**Supplementary prospectus**

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to Article 23 of the UK Prospectus Regulation, the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus which, in respect of the Securities, shall constitute a supplementary prospectus as required by the FCA and Article 23 of the UK Prospectus Regulation.

## TABLE OF CONTENTS

	PAGE
RISK FACTORS .....	10
OVERVIEW .....	26
TERMS AND CONDITIONS OF THE SECURITIES.....	33
SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM	57
DESCRIPTION OF THE ISSUER.....	60
USE AND ESTIMATED NET AMOUNT OF PROCEEDS .....	90
TAXATION .....	91
SUBSCRIPTION AND SALE .....	93
GENERAL INFORMATION.....	97

## RISK FACTORS

*Any investment in the Securities is subject to a number of risks. Prior to investing in the Securities, prospective investors should consider carefully the factors and risks associated with any investment in the Securities, the business of the Issuer and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.*

*The Issuer believes that the following factors are specific to the Issuer and/or to the Securities and are material for taking an informed assessment decision as these risks may affect its ability to fulfil its obligations under the Securities. 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 Issuer could suffer and the trading price and liquidity of the Securities could decline.*

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

*Capitalised terms used herein have the meaning given to them in “Terms and Conditions of the Securities”.*

### **Factors that may affect the Issuer’s ability to fulfil its obligations under or in connection with the Securities**

#### **Risks related to the 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 CO<sub>2</sub> 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, and regulated price cap adjustments, 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 Issuer to meet its payment obligations under the Securities, and there can also be no assurance that net operating revenues generated by the SSE Group will be sufficient to enable the Issuer 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 in the first half of 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 the 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 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 £122.4 million mainly due to scheme assets outperforming the discount rate, which resulted in a net gain on scheme assets of £111.6 million. 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 £41.4 million, 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.

## **Risks related to the Securities generally**

### ***The Securities will be subject to optional redemption by the Issuer including upon the occurrence of certain events***

The Securities will be redeemable, at the option of the Issuer, in whole but not in part on (i) any date during the period commencing (and including) on the date three months prior to the First Reset Date to (and including) the First Reset Date and (ii) any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

In addition, upon the occurrence of an Accounting Event, a Capital Event, a Change of Control Event, a Tax Event, a Substantial Repurchase Event or a Withholding Tax Event (each as defined in the Conditions and as more fully described in Condition 6), the Issuer shall have the option to redeem, in whole but not in part, the Securities at the prices set out therein, in each case together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. In the case of a Change of Control Event, in the event that the Issuer does not elect to redeem the Securities, the then prevailing Interest Rate (as defined in the Conditions), and each subsequent Interest Rate otherwise determined in accordance with Condition 4 of the Securities, on the Securities shall be increased by 5 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred.

Furthermore, if an Accounting Event, a Capital Event, a Tax Event or a Withholding Tax Event occurs, then, subject to the provisions of Conditions 7 and 8, the Issuer may at any time, instead of giving notice to redeem the Securities, substitute all, but not some only, of the Securities for, or vary the terms of the Securities so that they remain or become, as the case may be, Qualifying Securities. Whilst Qualifying Securities are required to have terms not otherwise materially less favourable to Holders than the terms of the Securities, there can be no assurance that the substitution or variation of the Securities will not have a significant adverse impact on the price of, and/or market for, the Securities or the circumstances of relevant individual Holders. For example, it is possible that the Qualifying Securities will contain conditions that are contrary to the investment criteria of certain investors and the tax and stamp duty consequences of holding the Qualifying Securities could be different for some categories of Holders from the tax and stamp duty consequences for them of holding the Securities prior to such substitution or variation.

During any period when the Issuer may, or may be perceived to be able to, elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Securities when its cost of borrowing is lower than the interest payable on the Securities. 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 payable on the Securities 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.

### ***The interest rate on the Securities will reset on the First Reset Date and on every relevant Reset Date thereafter, which can be expected to affect the interest payable on the Securities and the market value of such Securities***

Although the Securities will earn interest at a fixed rate until (but excluding) the First Reset Date, the current market interest rate on the capital markets (the “**market interest rate**”) typically changes on a daily basis. Since the initial fixed rate of interest for the Securities will be reset on the First Reset Date (as set out in the Conditions) and on each subsequent Reset Date, the interest payable on the Securities will also change. If the market interest rate increases, the price of a fixed interest rate security typically falls, until the yield of such security is approximately equal to the market interest rate. If the market interest rate falls, the price of a fixed interest rate

security typically increases, until the yield of such security is approximately equal to the market interest rate. Holders should be aware that movements in these market interest rates can adversely affect the price of the Securities and can lead to losses for the Holders if they sell the Securities.

Holders are exposed to the risk of fluctuating interest rate levels and uncertain interest income as the reset rates could affect the market value of an investment in the Securities.

***The Holders of the Securities are exposed to risks relating to the reset of interest rates linked to the 5 year Swap Rate***

From and including the First Reset Date of the Securities to the date (if any) on which the Issuer redeems the Securities in whole pursuant to the Conditions, the Securities bear interest at a rate which will be determined on each Reset Interest Determination Date at the 5 year Swap Rate for the relevant Reset Period plus the relevant Margin for the relevant Reset Period. Potential investors should be aware that the performance of the 5 year Swap Rate and the interest income on the Securities cannot be anticipated.

Due to varying interest income, potential investors are not able to determine a definite yield of the Securities at the time they purchase them, therefore their return on investment cannot be compared with that of investments having longer fixed interest periods. In addition, after Interest Payment Dates, Holders are exposed to the reinvestment risk if market interest rates decline. That is, Holders may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

Potential investors in the Securities should bear in mind that neither the current nor the historical level of the 5 year Swap Rate is an indication of the future development of such 5 year Swap Rate during the term of the Securities.

Furthermore, during each Reset Period, it cannot be ruled out that the price of the Securities may fall as a result of changes in the market interest rate, as the market interest rate fluctuates. During each of these periods, the Holders are exposed to the risks as described under “– *The interest rate on the Securities will reset on the First Reset Date and on every relevant Reset Date thereafter, which can be expected to affect the interest payable on the Securities and the market value of such Securities*”.

***Future discontinuance of EURIBOR or the occurrence of a Benchmark Event may adversely affect the value of the Securities***

***Future discontinuance of EURIBOR and benchmark reforms***

EURIBOR and any other interest rate or other types of rates and indices which are deemed to be “benchmarks” are the subject of ongoing national and international regulatory discussions and proposals for reform. Regulation (EU) No. 2016/1011 (the “**EU Benchmarks Regulation**”), published in the Official Journal of the European Union on 29 June 2016 and applicable from 1 January 2018 could have a material impact on the Securities, in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the terms of the EU Benchmarks Regulation. Such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level of the benchmark.

The 5 year Swap Rate and the 6-month EURIBOR rate (on which the floating leg of the 5 year Swap Rate is based) referred to in the Conditions constitute benchmarks for the purposes of the EU Benchmarks Regulation.

Following the implementation of any potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The elimination of the EURIBOR benchmark, or changes in the manner of its administration, could require or result in an adjustment to the interest calculation

provisions of the Conditions, or result in adverse consequences to holders of the Securities. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the Securities, the return on the Securities and the trading market for securities (including the Securities) based on the same benchmark. 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 5 year Swap Rate.

#### *Potential for a fixed rate return*

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Securities for the period from (and including) the relevant Reset Date, which is based on a reset mid-swap rate, may be affected. If such rate is not available, the rate of interest on the Securities will be determined by the fall-back provisions applicable to the Securities. This may in certain circumstances result in the effective application of a fixed rate based on the rate which was last observed on the relevant Reset Screen Page.

In addition, any changes to the administration of the applicable annualised mid-swap rate for swap transactions in euro with a term of five years as referred to in the Conditions or the emergence of alternatives to such mid-swap rate as a result of these potential reforms, may cause such rate to perform differently than in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of such rate or changes to its administration could require changes to the way in which the relevant Subsequent Fixed Interest Rate is calculated on the Securities from (and including) the relevant Reset Date. Uncertainty as to the nature of alternative reference rates and as to potential changes to the relevant mid-swap rate may adversely affect the relevant Subsequent Fixed Interest Rate, the return on the Securities and the trading market for securities (such as the Securities) based on the same mid-swap rate. The development of alternatives to the relevant mid-swap rate may result in the Securities performing differently than would otherwise have been the case if such alternatives to the relevant mid-swap rate had not developed. Any such consequence could have a material adverse effect on the value of, and return on, the Securities.

#### *Benchmark Events*

The Conditions also provide for certain fall-back arrangements in the event that a Benchmark Event has occurred. The Issuer may, having used reasonable endeavours to appoint and consult an Independent Adviser, determine a Successor Rate or, failing which, an Alternative Reference Rate to be used in place of the relevant mid-swap rate. The use of any such Successor Rate or Alternative Reference Rate to determine the relevant Subsequent Fixed Interest Rate may result in the Securities performing differently (including paying a lower Subsequent Fixed Interest Rate than they would do if the relevant mid-swap rate were to continue to apply in its current form).

If a Successor Rate or Alternative Reference Rate is determined by the Issuer, the Conditions also provide that an Adjustment Spread will be determined by the Issuer to be applied to such Successor Rate or Alternative Reference Rate. While any Adjustment Spread may be expected to be designed to eliminate or minimise any potential transfer of value between counterparties, the application of the Adjustment Spread to the Securities may not do so and may result in the Securities performing differently (which may include payment of a lower interest rate) than they would do otherwise. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the Securities. However, no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a reduction in or loss of the equity credit (or such other nomenclature that a Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) for the Securities from a Rating Agency.

Furthermore, if a Successor Rate or Alternative Reference Rate is determined by the Issuer, the Conditions provide that the Issuer may vary the Conditions, the Paying Agency Agreement and/or the Trust Deed, as necessary, to

ensure the proper operation of such Successor Rate or Alternative Reference Rate, without any requirement for consent or approval of the Holders of the Securities.

Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser, the potential for further regulatory developments and the fact that the provisions of Condition 4(j) will not be applied if the same could reasonably be expected to cause a reduction in or loss of the equity credit (or such other nomenclature that a Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) for the Securities from a Rating Agency, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of the relevant mid-swap rate could adversely affect the ability of the Issuer to meet its obligations under the Securities and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Securities.

***The Issuer has the right to defer interest payments on the Securities***

The Issuer may, at its discretion, elect to defer all or part of any payment of interest on the Securities. See “*Terms and Conditions of the Securities—Optional Interest Deferral*”. While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities or on certain instruments ranking *pari passu* with the Securities and, in such event, the Holders are not entitled to claim immediate payment of interest so deferred.

Any such deferral of interest payment shall not constitute a default for any purpose unless such payment is required in accordance with Condition 5(b).

Any deferral of interest payments or any perceived increase in the likelihood thereof is likely to have an adverse effect on the market price of the Securities. In addition, as a result of the interest deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer’s financial condition.

The Securities may not be redeemed unless and until all outstanding Arrears of Interest in respect of such Securities are satisfied in full, on or prior to the date set for the relevant redemption.

***Integral multiples of less than the specified denomination***

The denominations of the Securities are €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000. Therefore, it is possible that the Securities may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such a case, a Holder who, as a result of trading such amounts, holds a principal amount of less than €100,000 in its account with the relevant clearing system, will not receive a definitive Security in respect of such holding (should definitive Securities be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more denominations. If definitive Securities are issued, Holders should be aware that definitive Securities which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

***The Issuer’s obligations under the Securities are subordinated***

The Issuer’s obligations under the Securities will be unsecured and subordinated. In the event that an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up solely for the purposes of a reorganisation, reconstruction, amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the Trust Deed) of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) do not provide that the Securities

shall thereby become redeemable or repayable in accordance with the Conditions) or an administrator of the Issuer has been appointed and such administrator gives notice that it intends to declare and distribute a dividend, the claims of the Holders will rank (i) junior to the claims of holders of all Senior Obligations, (ii) *pari passu* with the claims of holders of all Parity Obligations and (iii) in priority to the claims of holders of the ordinary share capital of the Issuer and any other obligations of the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with such ordinary share capital. See “*Terms and Conditions of the Securities—Status*” and “*Terms and Conditions of the Securities—Subordination*”.

By virtue of such subordination, payments to a Holder will, in the events described in the Conditions, only be made after all obligations of the Issuer resulting from higher ranking claims have been satisfied. A Holder may, therefore, recover less than the holders of unsubordinated or other prior ranking subordinated liabilities of the Issuer. Furthermore, the Conditions will not limit the amount of the liabilities ranking senior to, or *pari passu* with, the Securities which may be incurred or assumed by the Issuer from time to time, whether before or after the Issue Date. The incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up or administration of the Issuer and/or may increase the likelihood of a deferral of interest payments under the Securities. Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Securities or the Coupons and each Holder and Couponholder shall, by virtue of his holding of any Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

Although subordinated debt securities, such as the Securities, may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of his investment should the Issuer become insolvent.

***The current IFRS accounting classification of financial instruments such as the Securities as equity instruments may change, which may result in the occurrence of an Accounting Event***

In June 2018, the International Accounting Standards Board (the “IASB”) published the discussion paper DP/2018/1 on “Financial Instruments with Characteristics of Equity” (the “DP/2018/1 Paper”) and public meetings were held on 23 October 2019, 21 April 2020, 16 December 2020, 16 February 2021 and 28 April 2021 to discuss the proposals contained therein. While the final timing and outcome are uncertain, if the proposals set out in the DP/2018/1 Paper are implemented in their current form, the current IFRS accounting classification of financial instruments such as the Securities as equity instruments may change in the future and this may result in the occurrence of an “Accounting Event” (as described in the Conditions). In such an event, the Issuer will have the option to redeem, in whole but not in part, the Securities pursuant to Condition 6(e) (*Redemption for Accounting Reasons*) or substitute or vary the terms of the Securities as described in Condition 7 (Substitution or Variation).

During the 23 October 2019 meeting of the IASB, the potential scope and indicative timetable of the project plan regarding the DP/2018/1 Paper were discussed but no decisions were made. The IASB met on 21 April 2020 to discuss the direction of the project and again on 28 April 2021 to continue its discussions on potential refinements to disclosure proposals explored in the DP/2018/1 Paper, namely, proposals for disclosure of information about terms and conditions, priority on liquidation and potential dilution. These disclosure proposals relate to financial instruments with characteristics of equity and, if finalised, would be incorporated into IFRS 7 Financial Instruments: Disclosure. Any final rules implemented as a result of the DP/2018/1 Paper may determine the timing and the manner of implementation of such rules and may in turn impact the earliest timing when an Accounting Event may occur (which could be earlier than the last day of application of the current IFRS rules).

The implementation of any of the proposals set out in the DP/2018/1 Paper or any other similar such proposals that may be made in the future, including the extent and timing of any such implementation, if at all, is still uncertain. Accordingly, no assurance can be given as to the future classification of the Securities from an accounting perspective or whether any such change may result in the occurrence of an Accounting Event, thereby providing the Issuer with the option to redeem the Securities pursuant to the Conditions or substitute, or vary the terms of, the Securities in accordance with the Conditions. The occurrence of an Accounting Event may result in Securityholders receiving a lower than expected yield.

The redemption of the Securities by the Issuer or the perception that the Issuer will exercise its optional redemption right might negatively affect the market value of the Securities. During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed.

For further description of risks related to early redemption or to substitution or variation of the Securities see also “— *Modification, Waiver and Substitution*” and “— *The Securities will be subject to optional redemption by the Issuer including upon the occurrence of certain events*”.

#### ***No limitation on issuing senior or pari passu securities***

There is no restriction on the amount of securities or other liabilities which the Issuer may issue, guarantee or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up of the Issuer and/or may increase the likelihood of a deferral of interest payments under the Securities.

If the Issuer’s financial condition was to deteriorate, the Holders could suffer direct and materially adverse consequences, including loss of interest and, if the Issuer were liquidated (whether voluntarily or not), the Holders could suffer loss of their entire investment.

#### ***Limited Remedies***

Payments of interest on the Securities may be deferred in accordance with Condition 5(a) and interest will not therefore be due other than in the limited circumstances described in Condition 5(b).

The only event of default in the Conditions is if a default is made by the Issuer 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, which is due.

Therefore, it will only be possible for the Holders to enforce claims for payment of principal or interest in respect of the Securities when the same are due.

In addition, in the event that an order is made, or an effective resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up) or an administrator of the Issuer has been appointed and such administrator gives notice that it intends to declare and distribute a dividend, the claims of Holders will be subordinated to the claims of holders of all Senior Obligations as further described in Condition 3(a). Accordingly, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or administration proceedings before the Holders may expect to obtain any recovery in respect of their Securities and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or administration proceedings.

#### ***Modification, Waiver and Substitution***

The Conditions will contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions will permit defined majorities of Holders to bind all Holders, including those Holders who did not attend and vote at the relevant meetings and Holders who voted in a manner contrary to the majority.



The Conditions and the Trust Deed will also provide that the Trustee may, without the consent of the relevant Holders or Couponholders, agree to (i) any modification of the Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is in each case, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of, any breach or proposed breach by the Issuer of, any of the Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the relevant Holders (which will not include, for the avoidance of doubt, any provision entitling the relevant Holders to institute proceedings for the winding-up of the Issuer which is more extensive than those set out in Condition 11), (iii) the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 of certain other entities in place of the Issuer (or any previous Substituted Obligor (as defined in Condition 14)) as a new principal debtor under the Trust Deed and the Securities, Coupons and Talons or (iv) either (a) substitute all, but not some only, of the Securities for, or (b) vary the terms of the Securities with the effect that they remain or become, as the case may be, Qualifying Securities, in each case in accordance with Condition 7 of the Securities, upon the occurrence of an Accounting Event, a Capital Event, a Tax Event or a Withholding Tax Event and subject to the receipt by the Trustee of the certificate of the directors of the Issuer referred to in Condition 8.

***Credit ratings may not reflect all risks***

The Securities are expected to be assigned a rating of BBB- by S&P and Baa3 by Moody's. The ratings may not reflect the potential impact of all risks related to the structure, market and other factors that may affect the value of the Securities. A credit rating is not a statement as to the likelihood of deferral of interest on the Securities. Holders have a greater risk of deferral of interest payments than persons holding other securities with similar credit ratings but no, or more limited, interest deferral provisions.

In addition, each of S&P and Moody's, or any other rating agency, may change its methodologies for rating securities with features similar to the Securities in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Securities sometimes called "notching". If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Securities were to be subsequently lowered, or if the ratings of the Securities were lowered for any other reason (including, for example, adverse developments in relation to the Issuer's business or industry), this may have a negative impact on the trading price of the Securities.

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.

***Change of law***

The Securities will be governed by English law and, in respect of Condition 3(a) only, Scottish law. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the case may be, Scots law or any administrative practice thereof after the Issue Date.

***The Securities will be perpetual securities***

The Securities will be perpetual securities in respect of which there is no fixed redemption date by which the Issuer would be under the obligation to redeem or repurchase the Securities at any time, and the Holders have no right to require redemption of the Securities. Therefore, prospective investors should be aware that they may be required to bear financial risks of an investment in the Securities for an indefinite period of time and may not recover their investment in the foreseeable future.

## **Risks related to the market generally**

### ***The secondary market generally***

Although application will be made to admit the Securities to trading on the Market, the Securities 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 Securities 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 securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been prepared to meet the investment requirements of limited categories of investors. These types of securities 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 the Securities.

If the level of global credit market conditions experienced during 2008 were to recur at the same level or worsen, whereby there is a general lack of liquidity in the secondary market for instruments similar to the Securities, such lack of liquidity may result in investors suffering losses on the Securities in secondary resales even if there is no decline in the performance of the Issuer.

### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Securities in Euro. This presents certain risks relating to currency or currency unit conversions if an investor's financial activities are denominated principally in a currency or a currency unit (the “**Investor's Currency**”) other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of Euro 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 Euro would decrease (1) the Investor's Currency equivalent yield on the Securities, (2) the Investor's Currency equivalent value of the principal payable on the Securities and (3) the Investor's Currency equivalent market value of the Securities.

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 the Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Securities. Fluctuations in interest rates can affect the market values of, and corresponding levels of capital gains or losses on, fixed rate securities. During periods of rising interest rates, the prices of fixed rate securities, such as the Securities, tend to fall and gains are reduced or losses incurred upon their sale. Therefore, investment in the Securities involves the risk that changes in market interest rates may adversely affect the value of the Securities.

## OVERVIEW

The following overview refers to certain provisions of the “*Terms and Conditions of the Securities*”, and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms used herein have the meaning given to them in “*Terms and Conditions of the Securities*”.

<b>Issuer</b>	SSE plc.
<b>Legal Entity Identifier of the Issuer</b>	549300KI75VYLLMSK856
<b>Website of the Issuer</b>	<a href="https://sse.com/">https://sse.com/</a>
<b>Trustee</b>	BNY Mellon Corporate Trustee Services Limited.
<b>Principal Paying Agent and Agent Bank</b>	The Bank of New York Mellon, London Branch.
<b>Issue Size</b>	€1,000,000,000.
<b>Issue Date</b>	21 April 2022.
<b>Interest</b>	The Securities will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 21 April 2028 (the “ <b>First Reset Date</b> ”) at a rate of 4.000 per cent. per annum, payable annually in arrear on 21 April in each year. Thereafter, unless previously redeemed, the Securities will bear interest from (and including) the First Reset Date to (but excluding) 21 April 2033 at a rate per annum which shall be 2.696 per cent. above the 5 year Swap Rate (as defined in the Conditions) for the relevant Securities Reset Period (as defined in the Conditions), payable annually in arrear on 21 April in each year. From (and including) 21 April 2033 to (but excluding) 21 April 2048 the Securities will bear interest at a rate per annum which shall be 2.946 per cent. above the 5 year Swap Rate for the relevant Securities Reset Period payable annually in arrear on 21 April in each year, and from (and including) 21 April 2048, the Securities will bear interest at a rate per annum which shall be 3.696 per cent. above the 5 year Swap Rate for the relevant Securities Reset Period payable annually in arrear on 21 April in each year, all as more particularly described in “ <i>Terms and Conditions of the Securities—Interest Payments</i> ”.
<b>Issue Price</b>	100 per cent.
<b>Status</b>	The Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank <i>pari passu</i> and without any preference among themselves.
<b>Subordination</b>	The rights and claims of the Holders and the Couponholders will be subordinated to the claims of holders of all Senior Obligations in that if at any time an order is made, or an effective

resolution is passed, for the winding-up of the Issuer (otherwise than for the purposes of a solvent winding-up solely for the purposes of a reorganisation, reconstruction, amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the Trust Deed) of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) do not provide that the Securities shall thereby become redeemable or repayable in accordance with the Conditions) or an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend, the rights and claims of the Holders and the Couponholders will be subordinated in accordance with Condition 3(a) thereof. Accordingly, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or administration proceedings before the Holders may expect to obtain any recovery in respect of their Securities and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or administration proceedings. See *“Risk Factors—Risks related to the Securities generally—Limited Remedies”*.

### **Optional Interest Deferral**

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (a **“Deferred Interest Payment”**) which is otherwise scheduled to be paid on an Interest Payment Date by giving a Deferral Notice of such election to the Holders, the Trustee and the Principal Paying Agent. Subject as described in “Mandatory Settlement”, if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute an Event of Default of the Issuer or any other breach of its obligations under the Securities or for any other purpose.

Arrears of Interest may be satisfied at the option of the Issuer in whole or in part at any time (the **“Optional Deferred Interest Settlement Date”**) following delivery of a notice to such effect given by the Issuer to the relevant Holders, the Trustee and the Principal Paying Agent informing them of its election to so satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

Any Deferred Interest Payment (or part thereof) shall itself bear interest (such further interest together with the Deferred Interest Payment, being **“Arrears of Interest”**), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment

would otherwise have been due to be made to (but excluding) the relevant Optional Deferred Interest Settlement Date or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 5(b), in each case such further interest being compounded on each Interest Payment Date. Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Securities or for any other purpose, unless such payment is required in accordance with Condition 5(b).

**Mandatory Settlement**

Notwithstanding the above and the provisions of “*Optional Interest Deferral*”, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which a Deferred Interest Payment first arose.

**Optional Redemption**

The Issuer may redeem all, but not some only, of the Securities on any date in the period commencing on the date three months prior to the First Reset Date to (and including) the First Reset Date and on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

**Special Event Redemption**

If a Special Event has occurred and is continuing, then the Issuer may redeem at any time all, but not some only, of the Securities at:

- (i) in the case of a Capital Event, Tax Event or Accounting Event where the relevant date fixed for redemption falls prior to 21 January 2028, 101 per cent. of their principal amount;
- (ii) in the case of a Capital Event, Tax Event or Accounting Event where the relevant date fixed for redemption falls on or after 21 January 2028, their principal amount; or
- (iii) in the case of a Substantial Repurchase Event or a Withholding Tax Event where any such redemption occurs at any time, their principal amount,

in each case together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

**Change of Control**

If a Change of Control Event has occurred and is continuing, the Issuer may elect to redeem all, but not some only, of the Securities at any time at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

If the Issuer does not elect to redeem the Securities following the occurrence of a Change of Control Event, the then prevailing Interest Rate, and each subsequent Interest Rate, on the Securities shall be increased by 5 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred. Without prejudice to the Issuer's right to redeem the Securities following the occurrence of any Change of Control Event, this step-up shall only apply in relation to the first Change of Control Event to occur while any of the Securities remain outstanding. See "*Terms and Conditions of the Securities—Interest Payments—Step-up after Change of Control Event*".

**Substitution or Variation instead of Special Event Redemption**

If an Accounting Event, a Capital Event, a Tax Event or a Withholding Tax Event has occurred and is continuing, without the consent of the Holders the Issuer may either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become, as the case may be, Qualifying Securities, in each case in accordance with Condition 7 and subject, *inter alia*, to the receipt by the Trustee of the certificate of the directors of the Issuer referred to in Condition 8.

**Event of Default**

If a default is made by the Issuer 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, which is due, then the Issuer shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Securities and the relevant Coupons and the Trustee at its sole discretion may, or shall, if so requested by an Extraordinary Resolution of the relevant Holders or in writing by the Holders of at least one-quarter in principal amount of the Securities then outstanding, subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction, institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment and/or give notice to the Issuer that such Securities are, and they shall immediately thereby become, due and payable at their principal amount together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Arrears of Interest.

**Additional Amounts**

Payments in respect of the Securities shall be made free and clear of, and without withholding or deduction for, or on account of, taxes of the United Kingdom, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts may be payable by the Issuer, subject to certain exceptions as are more fully described under "*Terms and Conditions of the Securities—Taxation*".

## Replacement Intention

The Issuer intends (without thereby assuming a legal obligation) that if it redeems the Securities pursuant to Condition 6(b) or repurchases some or all of the Securities, it will so redeem or repurchase the Securities only to the extent that the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any Subsidiary of the Issuer from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P Global Ratings UK Limited (“S&P”) an aggregate “equity credit” (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the “equity credit” assigned to the Securities at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the Securities), unless:

- (i) the credit rating (or such similar nomenclature then used by S&P) assigned by S&P to the Issuer is (x) at least BBB+, or (y) if lower, at least the rating on the date of the most recent additional hybrid issuance (excluding refinancing) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or
- (ii) such repurchase or redemption, taken together with relevant repurchases or redemptions of other Hybrid Securities (as defined below) of the Issuer, is of less than (x) 10 per cent. of the aggregate principal amount of the Issuer’s outstanding Hybrid Securities in any period of 12 consecutive months or (y) 25 per cent. of the aggregate principal amount of the Issuer’s outstanding Hybrid Securities in any period of 10 consecutive years, provided that such repurchase or redemption has no materially negative effect on the Issuer’s credit profile; or
- (iii) the Securities are not assigned an “equity credit” (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or
- (iv) such repurchase or redemption is in an amount necessary to allow the aggregate principal amount of hybrid capital of the Issuer remaining outstanding after such repurchase or redemption to remain at or above the maximum aggregate principal amount of hybrid capital to which S&P would assign equity content under its prevailing methodology at the time of such repurchase or redemption; or

- (v) such repurchase or redemption occurs on or after 21 April 2048.

<b>Form</b>	The Securities will be in bearer form and will initially be represented by a Temporary Global Security, without interest coupons or talons, which will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. The Temporary Global Security will be exchangeable for interests in a Permanent Global Security, without interest coupons or talons, on or after a date which is expected to be 1 June 2022, upon certification as to non-U.S. beneficial ownership. The Permanent Global Security will be exchangeable for definitive Securities in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000, in each case in the limited circumstances set out in “ <i>Summary of Provisions relating to the Securities while in Global Form</i> ”. No definitive Securities will be issued with a denomination above €199,000.
<b>Denominations</b>	€100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000.
<b>Listing and Admission to Trading</b>	Application has been made to the Financial Conduct Authority (“FCA”) for the Securities to be admitted to the Official List and to the London Stock Exchange for the Securities to be admitted to trading on the Market.
<b>Governing Law</b>	English law save for certain provisions relating to subordination which shall be governed by Scottish law.
<b>Ratings</b>	The Securities are expected to be rated BBB- by S&P and Baa3 by Moody’s. 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. As of the date of this Prospectus, each Rating Agency is a credit rating agency established in the United Kingdom and is registered under the UK CRA Regulation. Each of S&P and Moody’s is not established in the EEA and has not applied for registration under the EU 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.
<b>Use and Estimated Net Amount of Proceeds</b>	The estimated net proceeds of the issue of the Securities, after deduction of commissions, fees, and estimated expenses, will be €997,000,000 and the estimated net proceeds will be used for general corporate purposes, including the refinancing of the Issuer’s existing U.S.\$900,000,000 Capital Securities due 2077



(ISIN: XS1572343744) and £300,000,000 Capital Securities due 2077 (ISIN: XS1572349865).

**Selling Restrictions**

The United States, the United Kingdom, the EEA, Belgium, Japan, the Republic of Italy, Hong Kong, Singapore, the United Arab Emirates. See “*Subscription and Sale*”.

Category 2 offering restrictions have been implemented for the purposes of Regulation S under the Securities Act.

**Risk Factors**

Prospective investors should carefully consider the information set out in “*Risk Factors*” in conjunction with the other information contained or incorporated by reference in this Prospectus.

**ISIN**

XS2439704318.

**Common Code**

243970431.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following, except for paragraphs in italics, are the terms and conditions of the Securities which will be endorsed on each Security in definitive form (if issued).*

The issue of the €1,000,000,000 Capital Securities (the **Securities**, which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 18 and forming a single series with the Securities) of SSE plc (the **Issuer**) was authorised by resolutions of the Audit Committee of the board of directors of the Issuer (the **Board of Directors**) passed on 23 February 2022. The Board of Directors has delegated ongoing authority to the Audit Committee to approve all matters relating to funding of the Issuer by resolutions passed on 23 and 24 May 2018. The Securities are constituted by a trust deed (the **Trust Deed**) dated 21 April 2022 between the Issuer 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 holders of the Securities (the **Holders**). These terms and conditions (as amended from time to time) (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Securities and of the interest coupons (the **Coupons**, which expression includes, where the context so permits, talons for further Coupons (the **Talons**)) and the Talons appertaining to Securities in definitive form. Electronic copies of (i) the Trust Deed; and (ii) the paying agency agreement (the **Paying Agency Agreement**) dated 21 April 2022 relating to the Securities between the Issuer, The Bank of New York Mellon, London Branch as the initial principal paying agent and agent bank (the **Principal Paying Agent** and the **Agent Bank**, respectively, which expressions shall include any successor thereto) and the other initial paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include the Paying Agents for the time being) and the Trustee are available upon request to the Trustee or each of the Paying Agents. The Holders and the holders of the Coupons (whether or not attached to the relevant Securities) (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 applicable to them of the Paying Agency Agreement.

### 1 Form, Denomination and Title

#### (a) Form and Denomination

The Securities are serially numbered and in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000, each with Coupons and one Talon attached on issue. No definitive Securities will be issued with a denomination above €199,000. Securities of one denomination may not be exchanged for Securities of any other denomination.

#### (b) Title

Title to the Securities, Coupons and each Talon passes by delivery. The holder of any Security, Coupon or Talon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

### 2 Status

The Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders and the Couponholders are subordinated as described in Condition 3.

### **3 Subordination**

#### **(a) General**

In the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the Trust Deed) of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Issuer being appointed and such administrator giving notice that it intends to declare and distribute a dividend,

there shall be payable by the Issuer in respect of each Security and Coupon (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security and Coupon if, on the day prior to the commencement of the winding-up or such administration, as the case may be, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (***Notional Preference Shares***) having an equal right to a return of assets in the winding-up or such administration, as the case may be, and so ranking *pari passu* with, the holders of Parity Obligations, but ranking junior to the claims of holders of all Senior Obligations (except as otherwise provided by mandatory provisions of law), on the assumption that the amount that such Holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up or such administration, as the case may be, were an amount equal to the principal amount of the relevant Security and any accrued and unpaid interest and any outstanding Arrears of Interest.

Nothing in this Condition 3(a) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the Agents or the rights and remedies of the Trustee or the Agents in respect thereof.

*Accordingly, and without prejudice to the rights of the Trustee or the Agents, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or administration before the Holders may expect to obtain any recovery in respect of their Securities and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or administration. See “Risk Factors – Risks related to the Securities generally – Limited Remedies”.*

#### **(b) Set-off**

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities or the Coupons and each Holder and Couponholder shall, by virtue of his holding of any Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

### **4 Interest Payments**

#### **(a) Interest Rate**

The Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 21 April 2022 (the ***Issue Date***) in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Securities annually in arrear on each Interest Payment Date as provided in this Condition 4.

**(b) Interest Accrual**

The Securities will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 or the date of substitution thereof pursuant to Condition 7, as the case may be, unless, upon due presentation, payment of all amounts due in respect of the Securities is not made, in which event interest shall continue to accrue in respect of unpaid amounts on the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Where it is necessary to calculate an amount of interest in respect of any Security for a period which is less than a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) (the *day-count fraction*).

Where it is necessary to calculate an amount of interest in respect of any Security for a period of more than one year, such interest shall be the aggregate of the interest payable in respect of a full year plus the interest payable in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Security shall be calculated per €1,000 in principal amount thereof (the *Calculation Amount*). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction as described in this Condition 4(b) for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Security without any further rounding.

**(c) First Fixed Interest Rate**

For each Interest Period ending on or before the First Reset Date, the Securities bear interest at the rate of 4.000 per cent. per annum (the *First Fixed Interest Rate*), payable annually in arrear on the Interest Payment Date in each year.

**(d) Subsequent Fixed Interest Rates**

For each Interest Period which commences on or after the First Reset Date, the Securities bear interest at the relevant Subsequent Fixed Interest Rate. Such interest shall be payable annually in arrear on the Interest Payment Date in each year and shall be calculated, subject to Condition 4(i) below, as follows:

$$\text{"Subsequent Fixed Interest Rate"} = 5 \text{ year Swap Rate} + \text{Margin}$$

all as determined by the Agent Bank and where:

**5 year Swap Rate** means the annualised mid-swap rate with a term of five years as displayed on the Reset Screen Page as at approximately 11:00 a.m. (Central European time) on the day falling two Business Days prior to the first day of the relevant Reset Period (the *Reset Interest Determination Date*);

If the 5 year Swap Rate does not appear on the Reset Screen Page on the Reset Interest Determination Date, the 5 year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date;

**Reset Reference Bank Rate** means the percentage rate determined on the basis of the 5 year Swap Rate Quotations provided by the Reset Reference Banks to the Agent Bank at approximately 11:00 a.m. (Central European time) on such Reset Interest Determination Date. If at least three quotations are provided, the 5 year Swap Rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the applicable 5 year Swap Rate will be the arithmetic mean of the quotations. If only one or no

quotations are provided, the applicable 5 year Swap Rate shall be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Agent Bank;

The **5 year Swap Rate Quotations** means, in respect of each Interest Period falling within a Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 5 years commencing on the relevant Reset Interest Determination Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis);

**Margin** means in respect of (i) the Reset Period ending on (but excluding) 21 April 2033, 2.696 per cent.; (ii) each Reset Period which falls in the period commencing on (and including) 21 April 2033 and ending on (but excluding) 21 April 2048, 2.946 per cent.; and (iii) each Reset Period which falls on or after 21 April 2048, 3.696 per cent; and

**Reset Screen Page** means Reuters screen “ICESWAP2” or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Issuer (on the advice of a leading financial institution in London as selected by the Issuer, after consultation with the Agent Bank), for the purpose of displaying the annual swap rates for euro swap transactions with a five-year maturity.

The Subsequent Fixed Interest Rate shall be determined as provided above in respect of each Reset Period, provided that the Subsequent Fixed Interest Rate shall never be lower than 0 (zero) per cent., and, as so determined, such rate shall apply to each Interest Period falling within that Reset Period.

For the purposes of this Condition 4(d), the Agent Bank shall not be responsible to the Issuer or to any third party as a result of the Agent Bank having relied upon or acted on any quotation or information given to it for the purposes of calculating the Subsequent Fixed Interest Rate or the Reset Reference Bank Rate which subsequently may be found to be incorrect or inaccurate in any way or for any losses whatsoever resulting from acting in accordance therewith.

**(e) Determination of Subsequent Fixed Interest Rates**

The Agent Bank will, as soon as practicable after 11.00 a.m. (Central European time) on each Reset Interest Determination Date, determine the Subsequent Fixed Interest Rate in respect of each Interest Period falling within the relevant Reset Period.

**(f) Publication of Subsequent Fixed Interest Rates**

The Issuer shall cause notice of each Subsequent Fixed Interest Rate determined in accordance with this Condition 4 in respect of each relevant Interest Period to be given to the Trustee, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 17, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

**(g) Agent Bank and Reset Reference Banks**

With effect from the First Reset Date, the Issuer will maintain an Agent Bank and five Reset Reference Banks where the Interest Rate is to be calculated by reference to them. The name of the initial Agent Bank and its initial specified office is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading financial institution in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine a Subsequent Fixed Interest Rate in respect of any Interest Period as provided in Condition 4(d), the Issuer shall forthwith appoint another leading financial institution in London

approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

**(h) Determinations of Agent Bank Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank shall (in the absence of wilful default, manifest error or negligence) be binding on the Issuer, the Agent Bank, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence as aforesaid) no liability to the Holders, the Couponholders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

**(i) Step-up after Change of Control Event**

Notwithstanding any other provision of this Condition 4, if the Issuer does not elect to redeem the Securities in accordance with Condition 6(g) following the occurrence of a Change of Control Event, the then prevailing Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of this Condition 4, on the Securities shall be increased by 5 per cent. per annum with effect from (and including) the date on which the Change of Control Event occurred.

Without prejudice to the Issuer's right to redeem the Securities in accordance with Condition 6(g) following the occurrence of any Change of Control Event, this Condition 4(i) shall only apply in relation to the first Change of Control Event to occur while any of the Securities remain outstanding.

**(j) Benchmark Event**

- (i) Notwithstanding the provisions above in this Condition 4, if a Benchmark Event occurs in relation to an Original Reference Rate when any Subsequent Fixed Interest Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to advise the Issuer in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(j)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 4(j)(iv)).

An Independent Adviser appointed pursuant to this Condition 4(j) shall act in good faith and in a commercially reasonable manner 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 Holders for any determination made by it and for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 4(j).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4(j)(i) prior to the date which is ten Business Days prior to the relevant Reset Interest Determination Date in respect of a relevant Reset Period, the 5 year Swap Rate applicable to the next succeeding Reset Period shall be equal to the last annualised mid-swap rate with a term of five years displayed on the Reset Screen Page as determined by the Agent Bank. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Period only and any subsequent Reset Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 4(j).

- (ii) 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 and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the relevant component part of the Subsequent Fixed Interest Rate for all future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the subsequent operation of this Condition 4(j)); or
  - (b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the relevant component part of the Subsequent Fixed Interest Rate for all future payments of interest on the Securities from the end of the then current Reset Period onwards (subject to the operation of this Condition 4(j)).
- (iii) The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer, following consultation with the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.
- (iv) If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4(j) 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, the Paying Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and, in either case, the applicable 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 4(j)(v), without any requirement for the consent or approval of Holders, vary these Conditions, the Paying Agency Agreement 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 and the Agents of a certificate signed by two directors of the Issuer pursuant to Condition 4(j)(v), the Trustee and the Agents shall (at the expense of the Issuer), without any requirement for the consent or approval of the Holders 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 and/or the Paying Agency Agreement), provided that the Trustee and the Agents shall not be obliged so to concur if in the opinion of the Trustee or any Agent (as applicable) 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 it in these Conditions and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 4(j)(iv), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 4(j), no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a reduction in or loss of the equity credit (or such other nomenclature that a Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) for the Securities from a Rating Agency.

- (v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4(j) will be notified promptly by the Issuer to the Trustee, the Agents and, in accordance with Condition 17, the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee and the Agents of the same, the Issuer shall deliver to the Trustee and the Agents 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, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 4(j); and
- (b) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Trustee and the Agents 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 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 and the Benchmark Amendments (if any) and without prejudice to the Trustee's and the Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Agents and the Holders.

- (vi) Without prejudice to the obligations of the Issuer under Condition 4(j)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 4(d) and the related definitions will continue to apply unless and until a Benchmark Event has occurred and the Trustee and the Agents have been notified of the Successor Rate or the Alternative Rate (as the case may be), and the Adjustment Spread and any Benchmark Amendments, in accordance with Condition 4(j)(v).
- (vii) As used in this Condition 4(j):

***Adjustment Spread*** means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to 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 determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer determines that no such spread is customarily applied)
- (c) the Issuer, following consultation with the Independent Adviser 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).



**Alternative Rate** means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser determines is customarily applied in international debt capital markets transactions for the purposes of determining resetttable rates of interest (or the relevant component part thereof) in euro.

**Benchmark Amendments** has the meaning given to it in Condition 4(j)(iv).

**Benchmark Event** means:

- (1) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (2) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will 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 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 Securities; or
- (5) the making of an official announcement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is no longer representative of its relevant underlying market; or
- (6) it has become unlawful for any Agent, the Agent Bank, the Issuer or other party to calculate any payments due to be made to any Holders using the Original Reference Rate,

provided that in the case of sub-paragraphs (2), (3) and (4), the Benchmark Event shall be deemed to occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement. For the avoidance of doubt, none of the Trustee, the Paying Agents or the Agent Bank will be responsible for determining whether or not a Benchmark Event has occurred.

**Independent Adviser** means an independent financial institution of international repute or an independent financial adviser with appropriate experience in the international debt capital markets appointed by the Issuer under Condition 4(j)(i).

**Original Reference Rate** means the originally specified benchmark or screen rate (as applicable) used to determine the Subsequent Fixed Interest Rate (or any component part thereof) on the Securities.

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

- (i) 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
- (ii) 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

## **5 Optional Interest Deferral**

### **(a) Deferral of Payments**

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (a **Deferred Interest Payment**) which is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a **Deferral Notice**) of such election to the Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 14 nor less than 7 Business Days prior to the relevant Interest Payment Date. Subject to Condition 5(b), if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute an Event of Default or any other breach of its obligations under the Securities or for any other purpose.

Arrears of Interest (as defined below) may be satisfied at the option of the Issuer in whole or in part at any time (the **Optional Deferred Interest Settlement Date**) following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 14 nor less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election to so satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

Any Deferred Interest Payment shall itself bear interest (such further interest together with the Deferred Interest Payment, being **Arrears of Interest**), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Optional Deferred Interest Settlement Date or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 5(b), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Securities or for any other purpose, unless such payment is required in accordance with Condition 5(b).

### **(b) Mandatory Settlement**

Notwithstanding the provisions of Condition 5(a) relating to the ability of the Issuer to defer Interest Payments, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which a Deferred Interest Payment first arose.

## **6 Redemption**

### **(a) No Fixed Redemption Date**

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3(a)) only have the right to repay them in accordance with the following provisions of this Condition 6.

### **(b) Issuer's Call Option**

The Issuer may, by giving not less than 10 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), redeem all, but not some

only, of the Securities on (i) any date during the period commencing (and including) 21 January 2028 to (and including) the First Reset Date and (ii) any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

**(c) *Redemption for Certain Taxation Reasons***

If, immediately prior to the giving of the notice referred to below, a Tax Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions at any time all, but not some only, of the Securities at (i) 101 per cent. of their principal amount (in the case of a Tax Event where such redemption occurs prior to 21 January 2028) or (ii) their principal amount (in the case of a Tax Event where such redemption occurs on or after 21 January 2028 or in the case of a Withholding Tax Event where such redemption occurs at any time), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

**(d) *Redemption for Rating Reasons***

If, immediately prior to the giving of the notice referred to below, a Capital Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Securities at any time at (i) 101 per cent. of their principal amount (where such redemption occurs prior to 21 January 2028) or (ii) their principal amount (where such redemption occurs on or after 21 January 2028), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

**(e) *Redemption for Accounting Reasons***

If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Securities at any time at (i) 101 per cent. of their principal amount (where such redemption occurs prior to 21 January 2028) or (ii) their principal amount (where such redemption occurs on or after 21 January 2028), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities. The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on the Accounting Event Adoption Date. For the avoidance of doubt such period shall include any transitional period between the Accounting Event Adoption Date and the date on which it comes into effect.

**(f) *Redemption for Substantial Repurchase***

If, immediately prior to the giving of the notice referred to below, a Substantial Repurchase Event has occurred, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Securities at any

time at their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

**(g) Redemption for Change of Control Event**

If, immediately prior to the giving of the notice referred to below, a Change of Control Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions all, but not some only, of the Securities at any time at their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

**7 Substitution or Variation**

If an Accounting Event, a Capital Event, a Tax Event or a Withholding Tax Event (each a ***Substitution or Variation Event***) has occurred and is continuing, then the Issuer may, subject to Condition 8 (without any requirement for the consent or approval of the Holders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 have been complied with, and having given not less than 10 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 7 and subject to the receipt by it of the certificate of the directors of the Issuer referred to in Condition 8 below) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 7, as the case may be.

The Trustee agrees, at the expense of the Issuer, to use reasonable endeavours to assist the Issuer in the substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as appropriate, become, Qualifying Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it or expose it to liabilities or reduce its protections. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Securities as provided in Condition 6.

In connection with any substitution or variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions following a Substitution or Variation Event shall only be permitted if it does not give rise to any other Substitution or Variation Event with respect to the Qualifying Securities.

Any such substitution or variation in accordance with the foregoing provisions following a Substitution or Variation Event shall only be permitted if it does not result in the Qualifying Securities no longer being eligible for the same, or a higher amount of, "equity credit" (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as is attributed to the Securities on the date notice is given to Holders of the substitution or variation.

In these Conditions, ***Qualifying Securities*** means securities that:

- (a) are issued by the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer with a guarantee of such obligations by the Issuer;

- (b) rank and (save in the case of a direct issue by the Issuer) benefit from a guarantee that ranks in relation to the obligations of the Issuer under such securities and/or such guarantee (as the case may be), equally with the Securities and *pari passu* in a winding-up or liquidation of the Issuer with any Parity Obligations of the Issuer;
- (c) contain terms not materially less favourable to Holders than the terms of the Securities (as reasonably determined by the Issuer (in consultation with an independent investment bank or counsel of international standing)) and which:
  - (i) provide for the same or a more favourable Interest Rate from time to time as applied to the Securities immediately prior to such substitution or variation and preserve the same Interest Payment Dates;
  - (ii) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to principal and as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption;
  - (iii) preserve any existing rights under these Conditions to any accrued interest, any Deferred Interest Payments, any Arrears of Interest and any other amounts payable under the Securities which, in each case, has accrued to Holders and not been paid;
  - (iv) do not contain terms providing for the mandatory deferral of payments of interest and/or principal; and
  - (v) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (d) are (i) listed on the Official List and admitted to trading on the London Stock Exchange plc's Regulated Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee.

For the purposes of the definition of Qualifying Securities:

**Official List** means the Official List of the Financial Conduct Authority acting under Part VI of the Financial Services and Markets Act 2000; and

**Recognised Stock Exchange** means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time.

## **8 Preconditions to Special Event Redemption, Change of Control Event Redemption, Substitution and Variation**

Prior to the publication of any notice of redemption pursuant to Condition 6 (other than redemption pursuant to Condition 6(b)) or any notice of substitution or variation pursuant to Condition 7, the Issuer shall deliver to the Trustee a certificate in form and substance satisfactory to the Trustee signed by two directors of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer to be taken, the relevant Special Event cannot be avoided by the Issuer taking such measures. In relation to a substitution or variation pursuant to Condition 7, such certificate shall also include further certifications that the criteria specified in paragraphs (a) to (d) of the definition of Qualifying Securities will be satisfied by the Qualifying Securities upon issue and that such determinations were reached by the Issuer in consultation with an independent investment bank or counsel. The Trustee may rely absolutely upon and shall be entitled to accept such directors' certificate

without any liability to any person for so doing and without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Securities in accordance with Condition 6(b), 6(c), 6(d), 6(e), 6(f) or 6(g) shall be conditional on all outstanding Arrears of Interest being paid in full in accordance with the provisions of Condition 5 on or prior to the date thereof, together with any accrued and unpaid interest up to (but excluding) such redemption date.

The Trustee is under no obligation to ascertain whether any Special Event or Change of Control Event or Change of Control or any event which could lead to the occurrence of, or could constitute, any such Special Event, Change of Control Event or Change of Control, has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event, Change of Control Event or Change of Control or such other event has occurred.

## **9 Purchases and Cancellation**

### **(a) Purchases**

The Issuer or any of its Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto. The Securities so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the Holder to vote at any meetings of the Holders or otherwise exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for voting on any Extraordinary Resolution or for the purposes of Condition 14.

### **(b) Cancellation**

All Securities redeemed or substituted by the Issuer pursuant to Condition 6 or 7, as the case may be, (together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled. All Securities purchased by the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons) to the Principal Paying Agent. Securities so surrendered shall be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached). Any Securities so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Securities shall be discharged.

## **10 Payments**

### **(a) Method of Payment**

- (i) Payments of principal, premium and interest will be made against presentation and surrender of Securities or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Securities. Such payments will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.
- (ii) Each Security should be presented for redemption together with all unmatured Coupons relating to it in respect of the Interest Periods which fall prior to the First Reset Date, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for

payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than five years after the due date for the relevant payment of principal.

- (iii) Upon the due date for redemption of any Security, unmatured Coupons relating to such Security in respect of any Interest Period commencing on or after the First Reset Date (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iv) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 13).

**(b) *Payments Subject to Fiscal Laws***

Without prejudice to the terms of Condition 12, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

**(c) *Payments on Business Days***

A Security or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a euro account, on a day which is a Business Day). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition, ***business day*** means a day on which commercial banks and foreign exchange markets are open in the relevant city.

## **11 Event of Default**

**(a) *Proceedings***

If a default is made by the Issuer 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, in each case in respect of the Securities and which is due (an ***Event of Default***), then the Issuer shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Securities and the Coupons and the Trustee at its sole discretion may, notwithstanding the provisions of Condition 11(b) but subject to Condition 11(c), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer, for such payment and/or give notice to the Issuer that the Securities are, and they shall immediately thereby become, due and payable at their principal amount together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Arrears of Interest.

**(b) *Enforcement***

The Trustee may at its discretion (subject to Condition 11(c)) and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Securities or the Coupons but in no event shall the Issuer, by virtue of the institution of any such proceedings, steps or actions, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

**(c) *Entitlement of Trustee***

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) or 11(b) above against the Issuer to enforce the terms of the Trust Deed, the Securities or the Coupons or take any other action or step unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

**(d) Right of Holders**

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed, institute, prove or claim, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 11.

**(e) Extent of Holders' remedy**

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities, Coupons or under the Trust Deed.

## **12 Taxation**

All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Securities 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 within the Relevant Taxing Jurisdiction 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 (**Additional Amounts**) as shall result in receipt by the Holders and the 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 Security or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a Holder or Couponholder who is liable to such Taxes in respect of such Security or Coupon by reason of his having some connection with the Relevant Taxing Jurisdiction other than a mere holding of such Security or Coupon; or
- (b) **Presentation more than 30 days after the Relevant Date:** presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder thereof would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth day.

References in these Conditions to principal, premium, Interest Payments, Deferred Interest Payments, Arrears of Interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

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 Securities 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 the Issuer shall not be required to pay any additional amounts in respect of FATCA Withholding.

### **13 Prescription**

Claims in respect of Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of Securities and (subject to Condition 10(a)(ii)) five years in the case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 13 or Condition 10(a)(iii).

### **14 Meetings of Holders, Modification, Waiver and Substitution**

The Trust Deed contains provisions for convening meetings of Holders 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 Holders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding. A meeting of Holders may be held as a physical meeting or as a virtual meeting or as a hybrid meeting.

The quorum at any such meeting for passing an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Securities so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, the terms concerning currency and due dates for payment of principal, any applicable premium or Interest Payments in respect of the Securities and reducing or cancelling the principal amount of any Securities, any applicable premium or the Interest Rate) and certain other provisions of the Trust Deed as set out in the Trust Deed, the quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Securities for the time being outstanding.

The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7 in connection with the substitution or variation of the terms of the Securities so that they become Qualifying Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 7.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

The Trustee may agree, without the consent of the Holders or Couponholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is in each case, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer of, any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute proceedings for the winding-up of the Issuer which is more extensive than those set out in Condition 11). Any such

modification, authorisation or waiver shall be binding on the Holders and the Couponholders and such modification shall be notified to the Holders as soon as practicable.

The Trust Deed contains provisions permitting the Trustee to agree, subject to the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and to such amendment of the Trust Deed and such other conditions as the Trustee may require but without the consent of the Holders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 of certain other entities (any such entity, a ***Substituted Obligor***) in place of the Issuer (or any previous Substituted Obligor under this Condition) as a new principal debtor under the Trust Deed, the Securities, the Coupons and the Talons.

In connection with any proposed substitution as aforesaid and in connection with the exercise of its trusts, powers, authorities and discretions (including but not limited to those referred to in this Condition 14), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to the consequences of such substitution or such exercise for individual Holders or Couponholders. In connection with any substitution or such exercise as aforesaid, no Holder or Couponholder shall be entitled to claim, whether from the Issuer, the Substituted Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Holders or Couponholders except to the extent already provided in Condition 12 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on all Holders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 17 as soon as practicable thereafter.

## **15 Replacement of the Securities, Coupons and Talons**

If any Security, 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 Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders, 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 Security, 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 Securities, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Securities, Coupons or Talons must be surrendered before any replacement Securities, Coupons or Talons will be issued.

## **16 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of, and/or provision of security and/or prefunding for, the Trustee and for its relief from responsibility, including provisions relieving it from taking any actions or steps or instituting any proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee may rely without liability to Holders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Holders.

## **17 Notices**

Notices to Holders will be valid if published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if in the opinion of the Trustee such publication shall not be practicable, in another leading daily English language newspaper of 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, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

## **18 Further Issues**

The Issuer may from time to time without the consent of the Holders or the Couponholders create and issue further Securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Securities) and so that such further issue shall be consolidated and form a single series with the outstanding Securities. Any such Securities shall be constituted by a deed supplemental to the Trust Deed.

## **19 Agents**

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that it will:

- (a) at all times maintain a Principal Paying Agent; and
- (b) whenever a function expressed in these Conditions to be performed by the Agent Bank or by the Reset Reference Banks falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank and/or, as appropriate, Reset Reference Banks.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 17. If any of the Agent Bank or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank or the Principal Paying Agent in relation to the Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents, the Holders and the Couponholders.

## **20 Governing Law**

The Trust Deed, the Securities, 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, the laws of England save for the provisions contained in Condition 3(a) which shall be governed by the laws of Scotland.

## **21 Contracts (Rights of Third Parties) Act 1999**

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

## **22 Definitions**

In these Conditions:

an **Accounting Event** shall be deemed to occur if a recognised accountancy firm, acting upon instructions of the Issuer, has delivered a letter or report to the Issuer, stating that, as a result of a change in accounting principles (or

the application thereof) which have been officially adopted by the International Accounting Standards Board (or any other body responsible for IFRS or any other accounting standards that may replace IFRS) after the Issue Date (such date, the “**Accounting Event Adoption Date**”), the Securities may no longer be recorded as "equity" in the audited annual or the semi-annual consolidated financial statements of the Issuer pursuant to IFRS or any other accounting standards that may replace IFRS; the Accounting Event shall be deemed to have occurred on the Accounting Event Adoption Date notwithstanding any later effective date;

**Additional Amounts** has the meaning given to it in Condition 12;

**Agent Bank** has the meaning given to it in the preamble to these Conditions;

**Agents** means the Principal Paying Agent, the Agent Bank and the Paying Agents or any of them;

**Arrears of Interest** has the meaning given to it in Condition 5(a);

**Business Day** means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and the TARGET System is operating;

**Calculation Amount** has the meaning given to it in Condition 4(b);

a **Capital Event** shall be deemed to occur if the Issuer has received, and confirmed in writing to the Trustee that it has so received, confirmation from any Rating Agency of a change in its assessment criteria, including any amendment to, clarification of, or a change in interpretation thereof, which becomes effective on or after 21 April 2022 (or, if later, effective after the date on which the Securities are assigned “equity credit” by a Rating Agency for the first time) and as a result of which, but not otherwise, the Securities will no longer be eligible (or if the Securities have been partially re-financed since the Issue Date and are no longer eligible for equity credit in part or in full as a result, the Securities would no longer have been eligible as a result of such change had they not been re-financed) for the same, or a higher amount of, “equity credit” (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as was attributed to the Securities at the Issue Date (or if “equity credit” is not assigned to the Securities by the relevant Rating Agency on the Issue Date, at the date on which “equity credit” is assigned by such Rating Agency for the first time);

a **Change of Control Event** shall be deemed to occur if:

- (i) a Change of Control occurs; and
- (ii) 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), any of the Issuer’s senior unsecured obligations (the **Senior Unsecured Obligations**) carry:
  - (a) a credit rating from any Rating Agency and there occurs, within the Change of Control Period, a Change of Control Rating Downgrade; or
  - (b) no credit rating and a Change of Control Negative Rating Event 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 Senior Unsecured Obligations by any Rating Agency is subsequently increased to, or, as the case may be, there is assigned to the Senior Unsecured Obligations an investment grade credit rating (BBB-/Baa3 or their respective equivalents for the time being) or better within the Change of Control Period; and

- (iii) in making any decision to downgrade or withdraw a credit rating pursuant to paragraph (ii)(a) 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.

For the purposes of the definition of a Change of Control Event:

a ***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;

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 Senior Unsecured Obligations 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 any of the Senior Unsecured Obligations from a Rating Agency 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) from a Rating Agency 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;

***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 any of the Senior Unsecured Obligations 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 Rating Downgrade*** shall be deemed to have occurred in respect of a Change of Control if the then current rating assigned to the Senior Unsecured Obligations 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 Senior Unsecured Obligations 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 Senior Unsecured Obligations below investment grade (as described above), the rating is lowered one full rating category (from BB+/Ba1 to BB/Ba2 or such similar lowering) or more; and

***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 ***Compulsory Arrears of Interest Settlement Event*** shall have occurred if:

- (i) a dividend (either interim or final), other distribution or payment was validly resolved on, declared, paid or made in respect of (a) ordinary shares of the Issuer, (b) any obligations of the Issuer which rank or are expressed to rank *pari passu* with the ordinary shares of the Issuer or (c) any obligations of any

Subsidiaries of the Issuer benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the ordinary shares of the Issuer, except where (x) such dividend, other distribution or payment was required to be resolved on, declared, paid or made in respect of any stock option plans or employees' share schemes of the Issuer or (y) the Issuer is obliged under the terms of such securities to make such dividend, distribution or other payment; or

- (ii) a dividend (either interim or final), other distribution or payment was validly resolved on, declared, paid or made in respect of any Parity Obligations of the Issuer, except where such dividend, distribution or payment was required to be declared, paid or made under the terms of such Parity Obligations of the Issuer; or
- (iii) the Issuer has redeemed, repurchased or otherwise acquired (a) any ordinary shares of the Issuer, (b) any obligations of the Issuer which rank or are expressed to rank *pari passu* with the ordinary shares of the Issuer or (c) any obligations of any Subsidiaries of the Issuer benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the ordinary shares of the Issuer, except where (x) such repurchase or acquisition was undertaken in respect of any stock option plans or employees' share schemes of the Issuer or (y) the Issuer is obliged under the terms of such securities to make such repurchase or acquisition; or
- (iv) the Issuer, or any Subsidiary of the Issuer, has redeemed, repurchased or otherwise acquired any Parity Obligations of the Issuer, except where (x) such redemption, repurchase or acquisition is effected as a public cash tender offer or public exchange offer at a purchase price per security which is below its par value or (y) the Issuer, or any Subsidiary of the Issuer, is obliged under the terms of such securities to make such redemption, repurchase or acquisition;

**Conditions** means these terms and conditions of the Securities, as amended from time to time;

**Coupon** has the meaning given to it in the preamble to these Conditions;

**Couponholder** has the meaning given to it in the preamble to these Conditions;

**Deferred Interest Payment** has the meaning given to it in Condition 5(a);

**Euro** or **€** means 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;

**First Fixed Interest Rate** has the meaning given to it in Condition 4(c);

**First Reset Date** means 21 April 2028;

**Holder** has the meaning given to it in the preamble to these Conditions;

**IFRS** means International Financial Reporting Standards as adopted by the United Kingdom;

**Interest Payment** means, in respect of an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 4;

**Interest Payment Date** means 21 April in each year, commencing on (and including) 21 April 2023;

**Interest Period** means the period beginning on (and including) the Issue 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 Rate** means the First Fixed Interest Rate and/or each Subsequent Fixed Interest Rate, as the case may be;

**Issue Date** has the meaning given to it in Condition 4(a);

**Issuer** means SSE plc;

**Mandatory Settlement Date** means the earlier of:

- (i) the date which is 10 Business Days following the occurrence of a Compulsory Arrears of Interest Settlement Event;
- (ii) the next scheduled Interest Payment Date on which interest on the Securities is paid; or
- (iii) the date on which the Securities are redeemed or repaid in accordance with Condition 3, Condition 6 or Condition 11;

**Margin** has the meaning given to it in Condition 4(d);

**Parity Obligations** means (if any) (i) the most junior class of preference share capital in the Issuer and any other obligations of the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities or such preference shares and (ii) any obligations of any Subsidiaries of the Issuer benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the Securities or such preference shares;

*For the avoidance of doubt, Parity Obligations include the Issuer's U.S.\$900,000,000 Capital Securities due 2077 (ISIN: XS1572343744), the Issuer's £300,000,000 Capital Securities due 2077 (ISIN: XS1572349865), the Issuer's €500,000,000 Capital Securities (ISIN: XS2195190520) and the Issuer's £600,000,000 Capital Securities (ISIN XS2195190876).*

**Paying Agency Agreement** has the meaning given to it in the preamble to these Conditions;

**Paying Agents** has the meaning given to it in the preamble to these Conditions;

**Principal Paying Agent** has the meaning given to it in the preamble to these Conditions;

**Qualifying Securities** has the meaning given to it in Condition 7;

**Rating Agency** means S&P Global Ratings UK Limited or any of its subsidiaries and their successors or Moody's Investors Service Ltd. or any of its subsidiaries and their successors or any 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;

**Relevant Date** means (i) in respect of any payment other than a sum to be paid by the Issuer in a winding-up or administration of the Issuer, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 17, and (ii) in respect of a sum to be paid by the Issuer in a winding-up or administration of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

**Relevant Taxing Jurisdiction** means the United Kingdom or (if different) any jurisdiction in which the Issuer is resident for tax purposes at the time of payment, and any political subdivision or taxing authority thereof or therein having power to tax;

**Reset Date** means the First Reset Date and each date falling on the fifth anniversary of the First Reset Date;

**Reset Period** means the period from one Reset Date to (but excluding) the next following Reset Date;

**Reset Reference Banks** means five major banks in the interbank market in London as selected by the Issuer, after consultation with the Agent Bank;

**Securities** has the meaning given to it in the preamble to these Conditions;

**Senior Obligations** means all obligations of the Issuer, issued directly or indirectly by it, other than Parity Obligations and the ordinary share capital of the Issuer;

**Special Event** means any of an Accounting Event, a Capital Event, a Substantial Repurchase Event, a Tax Event or a Withholding Tax Event or any combination of the foregoing;

**Subsequent Fixed Interest Rate** has the meaning given to it in Condition 4(d);

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

**Substantial Repurchase Event** shall be deemed to occur if prior to the giving of the relevant notice of redemption the Issuer repurchases (and effects corresponding cancellations) or redeems Securities in respect of 75 per cent. or more in the principal amount of the Securities initially issued (which shall for this purpose include any further Securities issued pursuant to Condition 18);

**Substitution or Variation Event** has the meaning given to it in Condition 7;

**Talons** has the meaning given to it in the preamble to these Conditions;

**TARGET System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) system which was launched on 19 November 2007 or any successor thereto;

A **Tax Event** shall be deemed to have occurred if as a result of a Tax Law Change:

- (i) in respect of, or as a result of, the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to claim a deduction in computing its taxation liabilities in the Relevant Taxing Jurisdiction or such entitlement is materially reduced or materially delayed (a *disallowance*);
- (ii) the Securities are prevented from being treated as loan relationships for tax purposes in the Relevant Taxing Jurisdiction; or
- (iii) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, where a deduction arises in respect of such Interest Payment the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable tax purposes in the Relevant Taxing Jurisdiction (whether under the group relief system current as at 21 April 2022 or any similar system or systems having like effect as may from time to time exist) otherwise than as a result of a disallowance within (i),

and, in each case, the Issuer cannot avoid the foregoing in connection with the Securities by taking measures reasonably available to it, provided measures reasonably available to the Issuer shall not include allocating a disallowance provided for in (i) above to any other company or security;

**Tax Law Change** means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the Relevant Taxing Jurisdiction or any political subdivision or any authority thereof or therein having the power to tax, including any treaty to which the Relevant Taxing Jurisdiction is a party, or any change in the application of official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes, or would become, effective on or after 21 April 2022;

**Trust Deed** has the meaning given to it in the preamble to these Conditions;

**Trustee** has the meaning given to it in the preamble to these Conditions;

**United Kingdom** means the United Kingdom of Great Britain and Northern Ireland; and



a **Withholding Tax Event** shall be deemed to occur if as a result of a Tax Law Change, in making any payments on the Securities, the Issuer has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the Securities and the Issuer cannot avoid the foregoing in connection with the Securities by taking measures reasonably available to it.

*The Issuer intends (without thereby assuming a legal obligation) that if it redeems the Securities pursuant to Condition 6(b) or repurchases some or all of the Securities, it will so redeem or repurchase the Securities only to the extent that the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any Subsidiary of the Issuer from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P Global Ratings UK Limited (“S&P”) an aggregate “equity credit” (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the “equity credit” assigned to the relevant Securities at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the Securities), unless:*

- (i) the credit rating (or such similar nomenclature then used by S&P) assigned by S&P to the Issuer is (x) at least BBB+, or (y) if lower, at least the rating on the date of the most recent additional hybrid issuance (excluding refinancing) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or*
- (ii) such repurchase or redemption, taken together with relevant repurchases or redemptions of other Hybrid Securities (as defined below) of the Issuer, is of less than (x) 10 per cent. of the aggregate principal amount of the Issuer’s outstanding Hybrid Securities in any period of 12 consecutive months or (y) 25 per cent. of the aggregate principal amount of the Issuer’s outstanding Hybrid Securities in any period of 10 consecutive years, provided that such repurchase or redemption has no materially negative effect on the Issuer’s credit profile; or*
- (iii) the Securities are not assigned an “equity credit” (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or*
- (iv) such repurchase or redemption is in an amount necessary to allow the aggregate principal amount of hybrid capital of the Issuer remaining outstanding after such repurchase or redemption to remain at or above the maximum aggregate principal amount of hybrid capital to which S&P would assign equity content under its prevailing methodology at the time of such repurchase or redemption; or*
- (v) such repurchase or redemption occurs on or after 21 April 2048.*

*“Hybrid Securities” means securities that at the time of their issuance were and which continue to be assigned “equity credit” (or such other nomenclature used by S&P from time to time).*

## **SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM**

The Temporary Global Security and the Permanent Global Security will contain provisions which apply to the Securities while they are in global form, some of which modify the effect of the Conditions. The following is a summary of certain of those provisions as they relate to the Securities:

### **Exchange**

The Temporary Global Security is exchangeable in whole or in part for interests in the Permanent Global Security on or after a date which is expected to be 1 June 2022, upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Security. The Permanent Global Security is exchangeable in whole but not in part (free of charge to the Holder) for the definitive Securities described below if the Permanent Global Security is held on behalf of a clearing system and 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 does in fact do so. Thereupon, the Holder may give notice to the Principal Paying Agent of its intention to exchange the Permanent Global Security for definitive Securities on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date (as defined below) the Holder of the Permanent Global Security may surrender the Permanent Global Security to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Security the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Securities (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Security and a Talon for further Coupons), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed. On exchange of the Permanent Global Security, the Issuer will, if the Holder so requests, procure that it is cancelled and returned to the Holder together with any relevant definitive Securities.

**“Exchange Date”** means a day falling not less than 60 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 Principal Paying Agent is located and in the cities in which the relevant clearing system is located.

### **Payments**

No payment will be made on the Temporary Global Security unless exchange for an interest in the Permanent Global Security is improperly withheld or refused. Payments of principal, premium and interest in respect of Securities represented by a Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of such Global Security to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Holders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Security, which endorsement will be prima facie evidence that such payment has been made in respect of the Securities. For the purpose of any payments made in respect of a Global Security, Condition 10(c) shall not apply, and all such payments shall be made on a day on which the TARGET System is operating and on which commercial banks and foreign exchange markets are open in London.

### **Notices**

Notwithstanding Condition 17 (*Notices*), so long as the Securities are represented by the Permanent Global Security and such Permanent Global Security is held on behalf of a clearing system, notices to Holders 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 and shall be deemed to have been given on the date

of delivery to such clearing system, provided that, so long as the Securities are listed and/or admitted to trading, notices required to be given to the Holders pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are listed/and or admitted to trading.

### **Prescription**

Claims against the Issuer in respect of principal, premium and interest on the Securities while the Securities are represented by the Permanent Global Security will become void unless it is presented for payment within a period of 10 years (in the case of principal and premium) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions).

### **Meetings**

The Holder of the Permanent Global Security shall be treated as having one vote in respect of each €1,000 in principal amount of the Securities.

### **Purchase and Cancellation**

Cancellation of any Security required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Security.

### **Trustee's Powers**

In considering the interests of Holders while the Permanent Global Security is held on behalf of 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 the Permanent Global Security and may consider such interests, and treat such accountholders, as if such accountholders were the holders of the Permanent Global Security.

### **Electronic Consent**

While any Global Security is held on behalf of a relevant 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 principal amount of the Securities outstanding (an **Electronic Consent**, as defined in the Trust Deed) 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 defined in the Trust Deed) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Holders duly convened and held, and shall be binding on all Holders 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, (a) by accountholders in the clearing system(s) with entitlements to such Global Security and/or, (b) where 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 Holders and holders of Coupons and Talons, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall 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 Securities 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.

## DESCRIPTION OF THE ISSUER

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 £18.5 billion and was the 27<sup>th</sup> largest company in the FTSE 100 as at 1 April 2022. 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	Chief Commercial Officer
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 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 has now completed for a final consideration of £1,286 million in cash.

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 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 SSE Group's full 2021/22 financial year results.

### ***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.

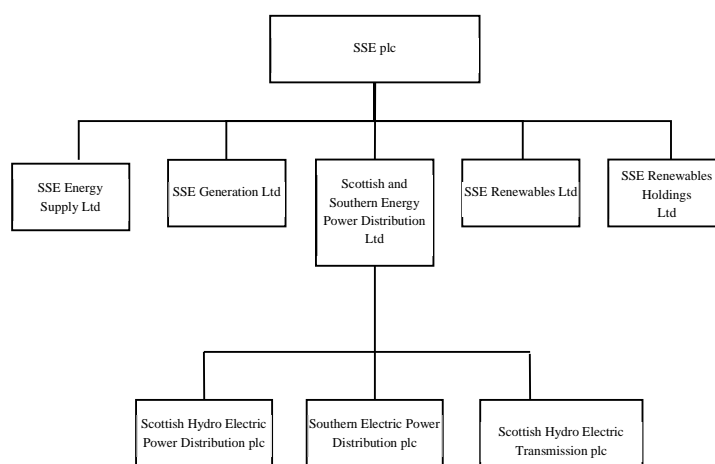
### ***Sale of stake in Dogger Bank Wind Farm***

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 g<sup>3</sup> gas-insulated substation at New Deer substation and the world's first g<sup>3</sup> 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 Beacravik, 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 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 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 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)
<b>Due final investment decision or in construction</b>				
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
<b>Consented</b>				
Arklow Bank 2 <sup>1</sup>	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 <sup>2</sup>	GB	Pumped storage	Up to 1,500	Up to 1,500
<b>Requiring Consent</b>				
Berwick Bank <sup>3</sup>	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
<b>Future Prospects<sup>4</sup></b>				
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
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*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*

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 participated in the New York Bight Auction for seabed in February 2022, but was unsuccessful and will now look at further bid opportunities.

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 and acquisition options across Europe in the short, medium and long term, including plans to bid into the upcoming tenders for the 1.4GW Hollandse Kust (west) Wind Farm Zone in the Netherlands, taking place in Summer 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
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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 capital<sup>1</sup> 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"> <li>• U.S.\$575 million (£366.8 million) U.S. private placement due between 2022 and 2024</li> <li>• £501.1 million U.S. private placement due between 2023 and 2027</li> <li>• £300 million 5.875 per cent. bonds due 2022</li> <li>• £500 million 8.375 per cent. bonds due 2028</li> <li>• £350 million 6.25 per cent. bonds due 2038</li> <li>• £1.3 billion revolving credit facility maturing 2025 (fully undrawn)</li> <li>• €1.5 billion Euro Commercial Paper programme (£103.4 million drawn)</li> <li>• £200 million revolving credit facility maturing 2024 (fully undrawn)</li> <li>• €500 million 2.375 per cent. bonds due 2022 (£415.0 million of principal outstanding)</li> <li>• €700 million 1.75 per cent. bonds due 2023 (£514.6 million of principal outstanding)</li> <li>• €600 million 0.875 per cent. bonds due 2025 (£515.7 million of principal outstanding)</li> </ul>
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<sup>1</sup> 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"> <li>• €650 million 1.375 per cent. bonds due 2027 (£591.4 million of principal outstanding)</li> <li>• €600 million 1.25 per cent. bonds due 2025 (£531.4 million of principal outstanding)</li> <li>• €500 million 1.75 per cent. bonds due 2030 (£442.9 million of principal outstanding)</li> </ul>
SSE Generation Limited	<ul style="list-style-type: none"> <li>• £100 million European Investment Bank loan due 2028</li> </ul>
SHEPD	<ul style="list-style-type: none"> <li>• £1,250 million intercompany loan stock due to SSE</li> <li>• £148.5 million 1.429 per cent. index linked bonds due 2056</li> <li>• £650 million intercompany loan stock due to SSE</li> </ul>
SEPD	<ul style="list-style-type: none"> <li>• £350 million 5.5 per cent. bonds due 2032</li> <li>• £325 million 4.625 per cent. bonds due 2037</li> <li>• £139.8 million 4.454 per cent. index linked loan maturing 2044</li> <li>• £1,000 million intercompany loan stock due to SSE</li> </ul>
SSEN Transmission	<ul style="list-style-type: none"> <li>• £350 million 2.25 per cent. bonds due 2035</li> <li>• £250 million 1.50 per cent. bonds due 2028</li> <li>• £250 million 2.125 per cent. bonds due 2036</li> <li>• £930.0 million intercompany loan stock due to SSE</li> <li>• £150 million European Investment Bank loan due 2022</li> <li>• £50 million European Investment Bank loan due 2023</li> <li>• £300 million European Investment Bank Loan due 2026</li> <li>• £100 million European Investment Bank Loan due 2028</li> </ul>
SSE Generation Ireland Limited	<ul style="list-style-type: none"> <li>• €74.8 million (£64.3 million) intercompany loan stock due to SSE</li> </ul>

## 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"><li>• U.S.\$900 million (£749 million) Hybrid Debt Capital Bond – maturing 16 September 2077 with first call date 16 September 2022</li><li>• £300 million Hybrid Debt Capital Bond – maturing 16 September 2077 with first call date 16 September 2022</li><li>• £600 million Hybrid Equity Capital Bond – perpetual with first call date 14 April 2026</li><li>• €500 million (£453 million) Hybrid Equity Capital Bond – perpetual with first call date 14 July 2027</li></ul> |
|-----|---|

### **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 the first half of 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 120gCO<sub>2</sub>e/kWh. SSE's carbon intensity of electricity generated increased to 292gCO<sub>2</sub>e/kWh in the first half of 2021/22, from 275gCO<sub>2</sub>e/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 the 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. SSE'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.

### **USE AND ESTIMATED NET AMOUNT OF PROCEEDS**

The estimated net proceeds of the issue of the Securities, after deduction of commissions, fees, and estimated expenses, will be €997,000,000 and the estimated net proceeds will be used for general corporate purposes, including the refinancing of the Issuer's existing U.S.\$900,000,000 Capital Securities due 2077 (ISIN: XS1572343744) and £300,000,000 Capital Securities due 2077 (ISIN: XS1572349865).

## TAXATION

### UK TAX DISCLOSURE

*The comments below, which apply only to persons who are beneficial owners of the Securities, concern only certain taxation obligations with respect to the Securities and are of a general nature based on current UK tax law as applied in England and Wales, and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs), and is subject to any change in law that may take effect after the date of this Prospectus. The comments below are not intended to be exhaustive, and do not deal with any other transaction implications of acquiring, holding or disposing of the Securities. Any Holders or Couponholders who are in doubt as to their own tax position should consult their professional advisers.*

#### 1. Interest on the Securities

The Securities issued will constitute “quoted Eurobonds” within the meaning of section 987 of the UK 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. Securities will be treated as listed on the London Stock Exchange if they are admitted to listing on the Official List and to trading on the London Stock Exchange.

Whilst the Securities are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Securities may be made without withholding or deduction for or on account of UK income tax.

In all other cases, an amount must generally be withheld on account 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 under an applicable double taxation treaty. If any amount must be withheld by the Issuer on account of UK tax from payments of interest on the Securities then such Issuer will, subject to the provisions of Condition 12 (*Taxation*) of the Securities, pay such additional amounts as will result in the Holders or Couponholders receiving an amount equal to that which they would have received had no such withholding been required.

Interest on the Securities constitutes UK source income for UK tax purposes and, as such, may be subject to UK income tax by direct assessment even where paid without withholding.

The provisions relating to additional amounts referred to in Condition 12 (*Taxation*) of the Terms and Conditions of the Securities would not apply if HM Revenue and Customs sought to assess the person entitled to the relevant interest or (where applicable) profit on any Security 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 UK Withholding Tax

The Securities may in certain circumstances on occurrence of a Special Event be redeemed at 101 per cent. of their principal amount. HM Revenue & Customs has indicated that any premium payable in such circumstances will be treated as interest, in which case the UK withholding position should be as for other interest payments made on the Securities (see above).

#### 3. Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax should be payable on issue of the Securities or on a transfer of the Securities.

## **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 (the “**participating Member States**”). However, Estonia has since stated it will not participate.

The European Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Securities should, however, 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 the Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or 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 the 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 UK’s position has been that it will not be a participating Member State and, now that the UK has left the European Union as a result of Brexit, it is no longer a Member State.

Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

BNP Paribas (the “**Structuring Advisor**” and “**Global Co-ordinator**”) and Banco Bilbao Vizcaya Argentaria, S.A., Merrill Lynch International, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc and RBC Europe Limited (together with the Structuring Advisor and Global Co-ordinator, the “**Joint Bookrunners**” or the “**Managers**”) have, pursuant to a Subscription Agreement dated 19 April 2022, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Securities at 100 per cent. of their principal amount. The Issuer has agreed to pay to the Managers a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Securities. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment in respect of the Securities being made to the Issuer.

### United States

The Securities 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 (“**Regulation S**”).

The Securities 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. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver any Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) 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 Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. The Securities are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of such Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### United Kingdom

#### *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 Securities 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:

- (a) a retail client, as defined in point (8) of Article 2 of Regulations (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA; or
- (b) 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.

### *Other regulatory restrictions*

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the UK.

### **Prohibition of Sales to EEA 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 Securities to any retail investor in the EEA. For the purposes of this provision the expression “**retail investor**” means a person who is one (or both) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of EU MiFID II); or
- (b) a customer within the meaning of the Insurance Distribution Directive (Directive (EU) 2016/97 (as amended)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

### **Belgium**

The Securities are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*), as amended.

### **Japan**

The Securities 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 Manager has represented and agreed, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as 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.

### **Republic of Italy**

The offering of the Securities has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of this Prospectus (in preliminary or final form) or of any other document relating to any Securities be distributed in the Republic of Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Securities or distribute any copy of this Prospectus (in preliminary or final form) or any other document relating to the Securities in the Republic of Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) 2017/1129 of the European Parliament and of the Council and any applicable provision of Legislative Decree No. 58 of 24 February 1998 (the “**Financial Services Act**”) and Article 34-*ter*, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999 (the “**Issuers Regulation**”), all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Securities or distribution of copies of this Prospectus (in preliminary or final form) or any other document relating to the Securities in the Republic of Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”), all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

## Hong Kong

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## Singapore

Each Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities 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



Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of 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 Securities 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 Securities 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)(i)(B) 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.

### **United Arab Emirates**

Each Manager has represented and agreed that the Securities have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### **General**

No action has been or will be taken in any country or jurisdiction by the Managers or the Issuer that would permit a public offering of the Securities, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Securities (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Securities or have in their possession or distribute such offering material, in all cases at their own expense.

Each Manager has agreed that it will, to the best of its knowledge, comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense, and none of the Issuer or the Managers shall have responsibility for such material.

## GENERAL INFORMATION

1. It is expected that listing of the Securities on the Official List and admission of the Securities to trading on the Market will be granted on or about 21 April 2022, subject only to the issue of the Temporary Global Security.
2. The issue of the Securities was authorised by resolutions of the Audit Committee of the Board of Directors passed on 23 February 2022. The Board of Directors has delegated ongoing authority to the Audit Committee to approve all matters relating to funding of the Issuer by resolutions passed on 23 and 24 May 2018.
3. The telephone number of the Issuer is +44 (0)345 0760 530.
4. Save for the impact of the coronavirus pandemic referred to in the sections headed “*Description of the Issuer-Impact of coronavirus on the SSE Group*” on page 64 of this Prospectus and “*Risk Factors-Coronavirus*” on pp. 10-11 of this Prospectus, there has been no significant change in the financial performance or financial position of the SSE Group since 30 September 2021 to the date of this Prospectus.
5. Save for the impact of the coronavirus pandemic (i) disclosed in the unaudited consolidated financial statements of the Issuer 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 page 64 of this Prospectus and “*Risk Factors-Coronavirus*” on pp. 10-11 of this Prospectus, there has been no material adverse change in the prospects of the Issuer since 31 March 2021 to the date of this Prospectus.
6. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer’s and/or the SSE Group’s financial position or profitability.
7. Each Security and Coupon 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”.
8. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). In respect of the Securities, the International Securities Identification Number (“**ISIN**”) is XS2439704318 and the Common Code is 243970431.  
  
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.
9. The Legal Entity Identifier code of the Issuer is 549300KI75VYLLMSK856.
10. The website of the Issuer is <https://sse.com/>. The information on <https://sse.com/> does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.
11. For so long as the Securities remain outstanding, copies of the following documents will be available for inspection at <https://sse.com/investors/>:
  - (a) the Memorandum and Articles of Association of the Issuer;

- (b) the published unaudited consolidated financial statements of the Issuer for the six months ended 30 September 2021 and the published annual report and audited consolidated financial statements of the Issuer for the financial years ended 31 March 2020 and 31 March 2021, respectively;
- (c) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and
- (d) the Trust Deed dated the Issue Date between the Issuer and the Trustee relating to the Securities and the Paying Agency Agreement dated the Issue Date between the Issuer, the Trustee and the agents named therein relating to the Securities.

In addition, a copy of this Prospectus will also be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

12. The auditor of the Issuer is Ernst & Young LLP, who have audited the consolidated financial statements of the Group for the financial years ended 31 March 2020 and 31 March 2021. Ernst & Young LLP issued an unqualified audit report on the consolidated financial statements of the Issuer for each of the financial years ended 31 March 2020 and 31 March 2021. Ernst & Young LLP, of 1 More London Place, London SE1 2AF, is registered to perform audit work by the Institute of Chartered Accountants in England and Wales.
13. For the period from (and including) the Issue Date to (but excluding) the First Reset Date, the yield on the Securities will be 4.000 per cent. per annum. Such yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
14. The expenses related to the admission of the Securities to the Official List and to trading on the Market are estimated to amount to £5,800.
15. The Managers 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 the Issuer and its affiliates in the ordinary course of business. The Managers and their affiliates may have positions, deal or make markets in the Securities, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its 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 Managers 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 the Issuer or the Issuer's affiliates. The Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Managers 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 Securities. Any such positions could adversely affect future trading prices of the Securities. The Managers 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.

16. Save for the fees payable to the Managers, the Trustee and the Paying Agents, so far as the Issuer is aware, no person, natural or legal, involved in the issue of any Securities has an interest that is material to the issue of the Securities.

## REGISTERED OFFICE OF THE ISSUER

**SSE plc**  
Inveralmond House  
200 Dunkeld Road  
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United Kingdom

## STRUCTURING ADVISOR AND GLOBAL CO-ORDINATOR

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France

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Spain

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**Merrill Lynch International**  
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London EC1A 1HQ

**RBC Europe Limited**  
100 Bishopsgate  
London EC2N 4AA

## AUDITORS

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1 More London Place  
London SE1 2AF  
United Kingdom

## TRUSTEE

**BNY Mellon Corporate Trustee Services Limited**  
One Canada Square  
London E14 5AL  
United Kingdom

## PRINCIPAL PAYING AGENT AND AGENT BANK

**The Bank of New York Mellon, London Branch**  
One Canada Square  
London E14 5AL  
United Kingdom

## PAYING AGENT

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L-2453 Luxembourg

## LEGAL ADVISERS

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*To the Managers and the Trustee as  
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