



SSE plc

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

€500,000,000 Capital Securities

£600,000,000 Capital Securities

Issue Price: 100 per cent. in respect of the Tranche A Securities

99.962 per cent. in respect of the Tranche B Securities

The €500,000,000 Capital Securities (the “**Tranche A Securities**”) and the £600,000,000 Capital Securities (the “**Tranche B Securities**”) and, together with the Tranche A Securities, the “**Securities**” and each, a “**Tranche**”) will be issued by SSE plc (the “**Issuer**”) on 14 July 2020 (the “**Issue Date**”). The Tranche A Securities will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 14 July 2027 (the “**First Tranche A Securities Reset Date**”) at a rate of 3.125 per cent. per annum, payable annually in arrear on 14 July in each year. Thereafter, unless previously redeemed, the Tranche A Securities will bear interest from (and including) the First Tranche A Securities Reset Date to (but excluding) 14 July 2032 at a rate per annum which shall be 3.415 per cent. above the 5 year Swap Rate (as defined in the “*Terms and Conditions of the Tranche A Securities*”) (the “**Tranche A Securities Conditions**”) for the relevant Tranche A Securities Reset Period (as defined in the Tranche A Securities Conditions), payable annually in arrear on 14 July in each year. From (and including) 14 July 2032 to (but excluding) 14 July 2047 the Tranche A Securities will bear interest at a rate per annum which shall be 3.665 per cent. above the 5 year Swap Rate for the relevant Tranche A Securities Reset Period payable annually in arrear on 14 July in each year, and from (and including) 14 July 2047, the Tranche A Securities will bear interest at a rate per annum which shall be 4.415 per cent. above the 5 year Swap Rate for the relevant Tranche A Securities Reset Period payable annually in arrear on 14 July in each year, all as more particularly described in “*Terms and Conditions of the Tranche A Securities—Interest Payments*”. The Tranche B Securities will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 14 April 2026 (the “**First Tranche B Securities Reset Date**”) at a rate of 3.740 per cent. per annum, payable annually in arrear on 14 April in each year, except that the first payment of interest, to be made on 14 April 2021, will be in respect of the period from (and including) the Issue Date to (but excluding) 14 April 2021 and will amount to £28.08 per £1,000 in principal amount of the Tranche B Securities. Thereafter, unless previously redeemed, the Tranche B Securities will bear interest from (and including) the First Tranche B Securities Reset Date to (but excluding) 14 April 2031 at a rate per annum which shall be 3.756 per cent. above the Reset Reference Bank Rate (as defined in the “*Terms and Conditions of the Tranche B Securities*”) (the “**Tranche B Securities Conditions**”) and, together with the Tranche A Securities Conditions, the “**Conditions**”) for the relevant Tranche B Securities Reset Period (as defined in the Tranche B Securities Conditions), payable annually in arrear on 14 April in each year. From (and including) 14 April 2031 to (but excluding) 14 April 2046 the Tranche B Securities will bear interest at a rate per annum which shall be 4.006 per cent. above the Reset Reference Bank Rate for the relevant Tranche B Securities Reset Period payable annually in arrear on 14 April in each year, and from (and including) 14 April 2046, the Tranche B Securities will bear interest at a rate per annum which shall be 4.756 per cent. above the Reset Reference Bank Rate for the relevant Tranche B Securities Reset Period payable annually in arrear on 14 April in each year, all as more particularly described in “*Terms and Conditions of the Tranche B Securities—Interest Payments*”. If the Issuer does not elect to redeem either Tranche of the Securities in accordance with Condition 6(g) thereof following the occurrence of a Change of Control Event (as defined in the relevant Conditions), the then prevailing interest rate per annum (and each subsequent interest rate per annum otherwise determined in accordance with the relevant Conditions) for such Tranche(s) 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 Tranche A Securities—Interest Payments—Step-up after Change of Control Event*” and “*Terms and Conditions of the Tranche B 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 Tranche A Securities—Optional Interest Deferral*” and “*Terms and Conditions of the Tranche B Securities—Optional Interest Deferral*”, respectively. 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 relevant Conditions). The Issuer may pay outstanding Arrears of Interest, in whole or in part, at any time in accordance with the relevant 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 relevant Conditions) following the Interest Payment Date on which a Deferred Interest Payment (as defined in the relevant Conditions) arose, all as more particularly described in “*Terms and Conditions of the Tranche A Securities—Optional Interest Deferral—Mandatory Settlement*” and “*Terms and Conditions of the Tranche B Securities—Optional Interest Deferral—Mandatory Settlement*”.

The Tranche A Securities and the Tranche B 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 Tranche A Securities shall be redeemable (at the option of the Issuer) in whole but not in part on any date in the period commencing on 14 April 2027 to (and including) the First Tranche A Securities Reset Date and on any Interest Payment Date thereafter, at the principal amount of the Tranche A Securities, together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Arrears of Interest. The Tranche B Securities shall be redeemable (at the option of the Issuer) in whole but not in part on any date in the period commencing on 14 January 2026 to (and including) the First Tranche B Securities Reset Date and on any Interest Payment Date thereafter, at the principal amount of the Tranche B 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 relevant Conditions), each Tranche 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 Tranche A Securities—Redemption*” and “*Terms and Conditions of the Tranche B Securities—Redemption*”, respectively.

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 relevant Securities, either (i) substitute all, but not some only, of such Securities for, or (ii) vary the terms of such Securities with the effect that they remain or become, as the case may be, Qualifying Securities, in each case in accordance with Condition 7 thereof and subject to the receipt by the Trustee of the certificate of the directors of the Issuer referred to in Condition 8 thereof.

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 Tranche A Securities—Status*”, “*Terms and Conditions of the Tranche A Securities—Subordination*”, “*Terms and Conditions of the Tranche B Securities—Status*” and “*Terms and Conditions of the Tranche B 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 Tranche A Securities—Taxation*” and “*Terms and Conditions of the Tranche B Securities—Taxation*”, respectively.

Application has been made to the Financial Conduct Authority (the “**FCA**”) acting under Part VI of the Financial Services and Markets Act 2000 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 regulated 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 Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation; such approval should not be considered as (a) an endorsement of the Issuer; or (b) an endorsement of 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 of each Tranche will initially be represented by a temporary global security (each, a "Temporary Global Security" and, together with the Temporary Global Security in respect of the other Tranche, the "Temporary Global Securities"), without interest coupons or talons, which will be deposited with a common depository on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about the Issue Date. Each Temporary Global Security will be exchangeable for interests in a permanent global security (each, a "Permanent Global Security" and, together with the Permanent Global Security in respect of the other Tranche, the "Permanent Global Securities" and, together with the Temporary Global Securities, the "Global Securities"), without interest coupons or talons, on or after a date which is expected to be 24 August 2020, upon certification as to non-U.S. beneficial ownership. Each Permanent Global Security will be exchangeable for definitive Securities in bearer form in the denominations of (i) €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000 in respect of the Tranche A Securities and (ii) £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000 in respect of the Tranche B Securities, in each case 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 in respect of the Tranche A Securities and above £199,000 in respect of the Tranche B Securities.

The Securities are expected to be rated BBB- by Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's") and Baa3 by Moody's Investors Service Ltd. ("Moody's") (each, a "Rating Agency"). Each of Standard & Poor's and Moody's is established in the European Union (the "EU") or the United Kingdom and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. 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.

JOINT STRUCTURING ADVISORS AND JOINT GLOBAL CO-ORDINATORS

Barclays

NatWest Markets

JOINT BOOKRUNNERS

Barclays

BofA Securities

BNP PARIBAS

Morgan Stanley

MUFG

NatWest Markets

Santander Corporate & Investment

Banking

CO-LEAD MANAGER

Bank of China

This Prospectus comprises a prospectus for the purposes of the 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 does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”). Other than in relation to the documents which are deemed to be incorporated by reference (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.

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 that there has been no adverse change in the financial position of the Issuer since the date hereof 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 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 a Structuring Advisor or on its behalf in connection with the Issuer or the issue and offering of the Securities. Each Structuring Advisor accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

MiFID II product governance / 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 (as amended, “**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 (a “distributor”) should take into consideration each manufacturer’s target market assessment; however, a distributor subject to 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.

Prohibition of sales to EEA and 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 European Economic Area (“**EEA**”) or in the United Kingdom (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 (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the EEA or in the UK has been

prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the 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 the Securities 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;
- (d) understand thoroughly the terms of the Securities and be familiar with the behaviour of the relevant 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.

The credit ratings assigned to the Securities may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the 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.

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.

In this Prospectus, the SSE Group presents certain alternative financial measures of performance which are not recognised by IFRS. These measures may not be comparable to similarly titled measures used by other companies and are not measurements under IFRS or any other body of generally accepted accounting principles, and thus should not be considered substitutes for the information contained in the SSE Group's financial statements. Where appropriate, the relevance and calculation of these measures has been explained in the notes to the financial statements of the SSE Group.

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 each Tranche, Barclays Bank PLC (the “**Stabilisation Manager**”) (or any person acting on behalf of the Stabilisation Manager) may over-allot the relevant Securities or effect transactions with a view to supporting the market price of the relevant 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 relevant 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 relevant Securities and 60 days after the date of the allotment of the relevant 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 Financial Conduct Authority, shall 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 2019, together with the independent audit report thereon, which are included on pages 143 to 260 of the 2019 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/lgxdmzoo/sse-31464-annual-report-2019-web.pdf>; and
- (ii) the audited consolidated financial statements of the Issuer for the financial year ended 31 March 2020, together with the independent audit report thereon, which are included on pages 164 to 271 and pages 285 to 299 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/jqcamlf/sse-32693-annual-report-2020-web.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>.

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, 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 Prospectus Regulation, the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus which, in respect of the relevant Tranche, shall constitute a supplementary prospectus as required by the FCA and Article 23 of the Prospectus Regulation.

TABLE OF CONTENTS

	PAGE
RISK FACTORS	7
OVERVIEW	22
TERMS AND CONDITIONS OF THE TRANCHE A SECURITIES	31
TERMS AND CONDITIONS OF THE TRANCHE B SECURITIES	56
SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM	77
DESCRIPTION OF THE ISSUER	80
USE AND ESTIMATED NET AMOUNT OF PROCEEDS	110
TAXATION	111
SUBSCRIPTION AND SALE	113
GENERAL INFORMATION	117

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities. All of these factors are contingencies which may or may not occur. The Issuer believes that the factors described below represent the principal 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.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Securities are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Capitalised terms used herein have the meaning given to them in “Terms and Conditions of the Tranche A Securities” or, as the case may be, in “Terms and Conditions of the Tranche B Securities”. Unless otherwise indicated, references in the “Risk Factors” section to “Securities” shall be to Securities of either Tranche.

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 SSE’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 SSE’s overriding priority being on ensuring 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.

At the date of this document, the SSE Group is not aware of the full extent of the outbreak, or the impact on its operations, but 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 SSE’s operations, directly or through SSE’s supply chain, which could have a material adverse effect on the SSE Group’s business, financial performance, operations and prospects.

While it remains too early to forecast with complete accuracy the human, social, economic and business impact of the coronavirus pandemic, SSE has completed an initial assessment of the potential financial impact on its business units in the 2020/2021 financial year. This has confirmed that the impact of the coronavirus pandemic

on the wider economy may have adverse effects on a number of SSE's business units, and these effects may be substantial in the context of one financial year but are expected to be temporary in duration.

Commodity Price Risk, Energy Procurement Risk and Security of Supply

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

In 2018/19, SSE's Energy Portfolio Management ("EPM") division incurred a significant operating loss that was not expected at the start of the financial year. Around the start of 2018/19, as part of its ongoing assessment of SSE's energy portfolio and the risks and opportunities associated with it, and drawing on external as well as internal analysis, the Board agreed with management's analysis that wholesale gas prices would most likely fall from the then prevailing levels.

As a combined result of the above, the uncertainty about the timing, level and impact of the default tariff cap eventually introduced on 1 January 2019, and mindful of the extent to which the value and earnings of SSE's assets are linked to energy commodity prices, the Board agreed that SSE should maintain a "short" position on its gas requirements, with a view to securing the gas needed to meet those requirements when prices were lower. This judgement was also influenced by the fact that there is lower market liquidity for energy-related commodities over longer time periods. Adopting energy positions of this kind, based on analysis and judgement, was not unusual, or unprecedented for SSE, as reflected in its previous risk management and derivative financial instrument disclosures relating to International Accounting Standard 39.

In addition to ongoing management oversight of financial and operational performance, each year, following approval of the annual budget in March, the Board monitors financial and operational performance monthly, including significant market commodity price movements and their impact. During the early months of 2018/19, wholesale gas prices proved to be higher than expected for longer than expected. This is illustrated by the fact that over the first 6 months of 2018/19, UK gas prices rose by around 50 per cent. for each of the forward looking three seasons (winter 18/19, summer 19 and winter 19/20). A significant portion of the increase summarised above, particularly in respect of the 2018/19 winter, occurred subsequently, in August and early September 2018. In this period, there was unusually high volatility in the UK gas markets and the prices represented some of the highest seen in over 20 years for forward seasons.

Following agreed action to effectively "cap" the adjusted operating loss in EPM that arose as a result of gas prices being higher than expected for longer than expected, the loss out-turned at £284.9 million for 2018/19 and £137.4 million for 2019/20.

The Board then accelerated a review of how SSE should manage future sources of exposure to fluctuations in the volume and price of key energy commodities following the planned separation of SSE Energy Services. The objective of this was to identify and implement an approach consistent with SSE's increasing focus on its core businesses of regulated energy networks and renewable sources of energy, complemented by flexible thermal generation and business energy sales.

Starting from the beginning of the 2020/2021 financial year, SSE will now generally seek 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 SSE's business units, with 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, the weather, international and national agreements on climate change and generation technological advancement.

Further, geopolitical events can impact commodity prices. For instance, Russia, which is an important source of European gas supply, has, over the past several years, been involved in various matters that have resulted in the deterioration of Russia's relations with other members of the international community, including various countries in Europe. These and other geopolitical events have a significant impact on 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 SSE's core regulated Networks and Renewables businesses. This risk is directly connected to political interventions and commodity price exposure.

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 key developments continued throughout 2019/20, and include uncertainty surrounding Brexit and its longer-term economic impact, including on households and businesses, as well as managing the impact of costs imposed on network operators and energy retailers as a result of an increased number of supplier failures.

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 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-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 Brexit 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 SSE 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:

- Fast developing customer needs in relation to efficient, innovative and flexible products and services;
- Technological developments and innovation;
- Climate change and the necessity to generate the energy required in modern society in a responsible and sustainable way, which includes ensuring that value is shared with those impacted by SSE's operations;
- Longer term capital investment plans and budgets;
- Geopolitical events; and
- Governance and decision-making frameworks within the 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. SSE 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 SSE'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.

Legal and Regulatory 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.

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 potential impacts of Brexit. In October 2019, the European Council agreed to extend Article 50, for a third time, to 31 January 2020. The UK left the EU as scheduled on 31 January 2020 on the basis of the Withdrawal Agreement. Following Brexit on 31 January 2020, nothing changes immediately for the UK energy sector until 31 December 2020 when the Transition/Implementation Period is due to end. Until then, under the terms of the Withdrawal Agreement there is no change to the way that the SSE Group will operate in the industry and it will technically still be a 'rule taker' in terms of the EU framework for the rest of 2020.

Any changes that may occur post the transitional period are currently uncertain. The revised political declaration by the European Commission and the UK Government states that the UK and EU should cooperate to support the delivery of cost efficient, clean and secure supplies of electricity and gas; seek to establish a framework to facilitate technical cooperation between electricity and gas networks operators and organisations, such as ENTSO-E and ENTSO-G; and consider future cooperation on carbon pricing by linking a UK-only greenhouse gas emissions trading system with the EU's Emissions Trading System. Additionally, the revised Protocol on Northern Ireland sets out that the Single Electricity Market on the island of Ireland will be preserved but that consent to continue the arrangements requires a simple majority of the Northern Ireland Assembly every four years.

In addition, the Scottish Government is continuing to call for a second referendum on Scotland's independence from the UK. The UK Government has refused to agree to a second referendum, however the Scottish National

Party claims that its strong election result provides a mandate for this. Although unlikely, 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 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. Additionally, failure to operate the networks properly could lead to compensation payments or penalties, as could any failure to make capital expenditure in line with agreed programmes that in turn leads to deterioration of the networks.

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

A new SSE Group operating model reflects the fact that the majority of SSE'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.

Enforcement Framework

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's primary objective via its enforcement framework is a culture where businesses put their customers first and act in line with their obligations such that it could target its own resources and powers so as to make the best impact, underpinned by principles of transparency, accountability, proportionality and consistency. Where breaches have occurred, OFGEM would deliver credible deterrence for companies with visible and meaningful consequences where they do not comply. Since then, the level of financial penalties imposed by the Authority has noticeably increased from levels seen in previous years.

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. In the financial year 2018/19, OFGEM resolved 7

compliance cases via alternative action with £5.9 million of redress payments being made by licensees, 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, though the Authority has powers to, where it is appropriate, make a customer redress order should redress not be agreed in enforcement cases. The Authority has appointed the Energy Saving Trust until 2021 as its independent third party redress administrator which is tasked with allocating, managing and monitoring voluntary redress payments.

The Northern Irish regulator has also recently shown increased appetite for taking enforcement action. It has updated its enforcement procedure and financial penalties policy in the last year, introducing a considerably more detailed framework than before, bringing it more in line with the formal processes experienced with OFGEM. Accordingly, the enforcement risk in Northern Ireland can be viewed to have increased albeit the potential impact on SSE is far smaller than in Great Britain (“GB”) due to 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.

Environment

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

As part of SSE’s response to the coronavirus pandemic, an additional preparedness test of all relevant crisis management and business continuity plans was carried out by SSE in February 2020, tailoring these to the specific circumstances of the pandemic. These plans were then implemented in stages, beginning from the end of February, and as a result, SSE 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 SSE 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. For offshore E&P assets where SSE is not the operator, there are a number of assurance measures in place to ensure that the proven and approved operator partners maintain and adopt high standards for their safe management and operation. 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 SSE’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 on 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 SSE Group 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 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 maintain 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, SSE has carefully tracked the direct impact of the virus on its workforce as well as taking 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 (such as the General Data Protection Regulation (Regulation (EU) 2016/679)).

Due to advances in the sophistication and prevalence of these 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 SSE's Pension Schemes, with a net pension scheme asset value of £341.7 million at 31 March 2020. However, there is an actuarial deficit between the current value of the projected liabilities of the Pension Schemes and the value of the assets that they hold, and the combined cash funding deficit was just over £110 million as at 31 May 2020, on pension scheme total assets of over £4.6 billion. This reflects the fact that the SHEPS is in surplus and the SEPS is in deficit. Both 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 9 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 within the next 8 years. 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 Quality

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.

Any delay, unrecoverable costs and/or quality defects in relation to such projects 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 of each Tranche 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 relevant First Reset Date to (and including) the relevant 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 relevant Conditions and as more fully described in Condition 6 of the relevant Securities), the Issuer shall have the option to redeem, in whole but not in part, the relevant 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 relevant Securities, the then prevailing Interest Rate (as defined in the relevant Conditions), and each subsequent Interest Rate otherwise determined in accordance with Condition 4 of the relevant Securities, on the relevant 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 of the relevant Securities, the Issuer may at any time, instead of giving notice to redeem the relevant Securities, substitute all, but not some only, of the relevant Securities for, or vary the terms of the relevant Securities so that they remain or become, as the case may be, Qualifying Securities.

During any period when the Issuer may elect to redeem the relevant Securities, the market value of the relevant 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 relevant Securities when its cost of borrowing is lower than the interest payable on them. 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 each Tranche of Securities will reset on the relevant First Reset Date and on every relevant Reset Date thereafter, which can be expected to affect the interest payment on the relevant Securities and the market value of such Securities.

Although each Tranche of Securities will earn interest at a fixed rate until (but excluding) the relevant 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 each Tranche of Securities will be reset on the relevant First Reset Date (as set out in the relevant Conditions) and on each subsequent Reset Date, the interest payment on each Tranche of Securities will also change. Holders of each Tranche of Securities (respectively, the “**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 relevant 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.

Integral multiples of less than the specified denomination

The denominations of the Tranche A Securities are €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000. The denominations of the Tranche B 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 or, as the case may be, £100,000, that are not integral multiples of €100,000 or, as the case may be, £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 or, as the case may be, £100,000, 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 or, as the case may be, £100,000, may be illiquid and difficult to trade.

The Issuer's obligations under the Securities are subordinated

The Issuer's obligations under the relevant 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 relevant 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 relevant Trust Deed) and (y) do not provide that the relevant Securities shall thereby become redeemable or repayable in accordance with the relevant 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 Tranche A Securities—Status*", "*Terms and Conditions of the Tranche A Securities—Subordination*", "*Terms and Conditions of the Tranche B Securities—Status*" and "*Terms and Conditions of the Tranche B Securities—Subordination*".

By virtue of such subordination, payments to a Holder will, in the events described in the relevant 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 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 Tranche A Securities—Optional Interest Deferral*” and “*Terms and Conditions of the Tranche B 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 relevant Securities or on certain instruments ranking *pari passu* with the relevant 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) of the relevant Securities. Although the Issuer intends to pay all outstanding Arrears of Interest in respect of either Tranche on the fifth anniversary of the Interest Payment Date on which the relevant Deferred Interest Payment first arose, this is only a current intention, not an obligation of the Issuer. Therefore, there can be no assurance that deferred interest will be satisfied within such five year period.

Any deferral of interest payments is likely to have an adverse effect on the market price of the relevant 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.

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

Limited Remedies

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

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

The relevant Conditions and the Trust Deeds in respect of the relevant Securities will also provide that the Trustee may, without the consent of the relevant Holders or Couponholders, agree to (i) any modification of the relevant Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement in respect of the relevant Securities 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 in respect of the relevant Securities), and any waiver or authorisation of, any breach or proposed breach by the Issuer of, any of the relevant Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement in respect of the relevant Securities 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 of the relevant Securities), (iii) the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 of the relevant Securities of certain other entities in place of the Issuer (or any previous Substituted Obligor (as defined in Condition 14 of the relevant Securities)) as a new principal debtor under the relevant Trust Deed and the relevant Securities, Coupons and Talons or (iv) either (a) substitute all, but not some only, of the relevant Securities for, or (b) vary the terms of the relevant 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 relevant 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 of the relevant Securities.

Future discontinuance of EURIBOR or the occurrence of a Benchmark Event may adversely affect the value of the Tranche A 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 "**Benchmark 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 Tranche A Securities, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmark Regulation, and 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.

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 Tranche A Conditions, or result in adverse consequences to holders of the Tranche A 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 Tranche A Securities, the return on the Tranche A Securities and the trading market for securities (including the Tranche A Securities) based on the same benchmark.

Potential for a fixed rate return

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Tranche A 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 Tranche A Securities will be determined by the fall-back provisions applicable to the Tranche A 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 Tranche A 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 Tranche A 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 Tranche A Securities and the trading market for securities (such as the Tranche A Securities) based on the same mid-swap rate. The development of alternatives to the relevant mid-swap rate may result in the Tranche A 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 Tranche A Securities.

Benchmark Events

The Conditions of the Tranche A Securities 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 Tranche A 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 of each Tranche 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 Tranche A Securities may not do so and may result in the Tranche A 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 Tranche A 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 Capital Event (as defined in the Tranche A Conditions) to occur.

Furthermore, if a Successor Rate or Alternative Reference Rate is determined by the Issuer, the Conditions of the Tranche A Securities provide that the Issuer may vary the Conditions of the Tranche A Securities, the Tranche A Agency Agreement and/or the Tranche A 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 Tranche A Securityholders.

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 the Tranche A Condition 4(j) will not be applied if the same could reasonably be expected to cause a Capital Event to occur, 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 Tranche A Securities

and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Tranche A Securities.

Change of law

The Securities will be governed by English law and, in respect of Condition 3(a) of the relevant Securities only, Scots 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.

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 IASB (International Accounting Standards Board) published the discussion paper DP/2018/1 on “Financial Instruments with Characteristics of Equity” (the DP/2018/1 Paper). While the final timing and outcome are uncertain, if the proposals set out in the DP/2018/1 Paper are implemented, the IFRS accounting classification of financial instruments such as the Securities as equity instruments may change and this may result in the occurrence of an Accounting Event. 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. 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 Terms and Conditions of the Securities. The occurrence of an Accounting Event may result in Securityholders receiving a lower than expected yield.

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*”.

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.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Tranche A Securities in Euro and on the Tranche B Securities in Sterling. 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 or, as the case may be, Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Euro or, as the case may be, Sterling, 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 or, as the case may be, Sterling, would decrease (1) the Investor's Currency equivalent yield on the relevant Securities, (2) the Investor's Currency equivalent value of the principal payable on the relevant Securities and (3) the Investor's Currency equivalent market value of the relevant 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.

Credit ratings may not reflect all risks

The credit ratings assigned to the Securities may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the 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.

OVERVIEW

The following overview refers to certain provisions of the “*Terms and Conditions of the Tranche A Securities*” and the “*Terms and Conditions of the Tranche B 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 Tranche A Securities*” or, as the case may be, “*Terms and Conditions of the Tranche B Securities*”.

Issuer	SSE plc.
Legal Entity Identifier of the Issuer	549300KI75VYLLMSK856
Website of the Issuer	https://sse.com/
Trustee	BNY Mellon Corporate Trustee Services Limited.
Principal Paying Agent and Agent Bank	The Bank of New York Mellon, London Branch.
Issue Size	€500,000,000 of Tranche A Securities and £600,000,000 of Tranche B Securities.
Issue Date	14 July 2020.
Interest	<p>The Tranche A Securities will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 14 July 2027 (the “First Tranche A Securities Reset Date”) at a rate of 3.125 per cent. per annum, payable annually in arrear on 14 July in each year. Thereafter, unless previously redeemed, the Tranche A Securities will bear interest from (and including) the First Tranche A Securities Reset Date to (but excluding) 14 July 2032 at a rate per annum which shall be 3.415 per cent. above the 5 year Swap Rate (as defined in the Tranche A Securities Conditions) for the relevant Tranche A Securities Reset Period (as defined in the Tranche A Securities Conditions), payable annually in arrear on 14 July in each year. From (and including) 14 July 2032 to (but excluding) 14 July 2047 the Tranche A Securities will bear interest at a rate per annum which shall be 3.665 per cent. above the 5 year Swap Rate for the relevant Tranche A Securities Reset Period payable annually in arrear on 14 July in each year, and from (and including) 14 July 2047, the Tranche A Securities will bear interest at a rate per annum which shall be 4.415 per cent. above the 5 year Swap Rate for the relevant Tranche A Securities Reset Period payable annually in arrear on 14 July in each year, all as more particularly described in “<i>Terms and Conditions of the Tranche A Securities—Interest Payments</i>”.</p> <p>The Tranche B Securities will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 14 April 2026 (the “First Tranche B Securities Reset Date”)</p>

at a rate of 3.740 per cent. per annum, payable annually in arrear on 14 April in each year, except that the first payment of interest, to be made on 14 April 2021, will be in respect of the period from (and including) the Issue Date to (but excluding) 14 April 2021 and will amount to £28.08 per £1,000 in principal amount of the Tranche B Securities. Thereafter, unless previously redeemed, the Tranche B Securities will bear interest from (and including) the First Tranche B Securities Reset Date to (but excluding) 14 April 2031 at a rate per annum which shall be 3.756 per cent. above the Reset Reference Bank Rate (as defined in the Tranche B Securities Conditions) for the relevant Tranche B Securities Reset Period (as defined in the Tranche B Securities Conditions), payable annually in arrear on 14 April in each year. From (and including) 14 April 2031 to (but excluding) 14 April 2046 the Tranche B Securities will bear interest at a rate per annum which shall be 4.006 per cent. above the Reset Reference Bank Rate for the relevant Tranche B Securities Reset Period payable annually in arrear on 14 April in each year, and from (and including) 14 April 2046, the Tranche B Securities will bear interest at a rate per annum which shall be 4.756 per cent. above the Reset Reference Bank Rate for the relevant Tranche B Securities Reset Period payable annually in arrear on 14 April in each year, all as more particularly described in “*Terms and Conditions of the Tranche B Securities—Interest Payments*”.

Issue Price

100 per cent. in respect of the Tranche A Securities.

99.962 per cent. in respect of the Tranche B Securities.

Status

The Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves.

Subordination

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 relevant 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 relevant Trust Deed) and (y) do not provide that the Securities shall thereby become redeemable or repayable in accordance with the relevant 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 relevant Securities or for any other purpose.

Arrears of Interest in respect of either Tranche 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) of the relevant Securities, 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 relevant Securities or for any other purpose, unless such payment is required in accordance with Condition 5(b) of the relevant Securities.

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.

If, in respect of a Tranche, a Mandatory Settlement Date does not occur prior to the calendar day which is the fifth anniversary of the Interest Payment Date on which the relevant Deferred Interest Payment first arose, it is the intention, though not an obligation, of the Issuer to pay all outstanding Arrears of Interest (in whole, but not in part) on the next following Interest Payment Date in respect of such Tranche.

Optional Redemption

The Issuer may redeem all, but not some only, of either Tranche of Securities on any date in the period commencing on the date three months prior to the relevant First Reset Date to (and including) the relevant 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 in respect of the relevant Tranche.

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 Tranche A 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 14 April 2027, 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 14 April 2027, 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 in respect of the relevant Tranche.

If a Special Event has occurred and is continuing, then the Issuer may redeem at any time all, but not some only, of the Tranche B 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 14 January 2026, 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 14 January 2026, 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 in respect of the relevant Tranche.

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 either Tranche 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 in respect of the relevant Tranche.

If the Issuer does not elect to redeem either Tranche of the Securities following the occurrence of a Change of Control Event, the then prevailing Interest Rate, and each subsequent Interest Rate, on the relevant 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 Tranche A Securities—Interest Payments—Step-up after Change of Control Event*" and "*Terms and Conditions of the Tranche B Securities—Interest Payments—Step-up after Change of Control Event*", respectively.

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 of the relevant Tranche the Issuer may either (i) substitute all, but not some only, of the relevant Securities for, or (ii) vary the terms of the relevant Securities with the effect that they remain or become, as the case may be, Qualifying Securities, in each case in accordance with Condition 7 thereof and subject, *inter alia*, to the receipt by the Trustee of the certificate of the directors of the Issuer referred to in Condition 8 thereof.

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, in each case in respect of any Tranche

and which is due, then the Issuer shall without notice from the Trustee be deemed to be in default under the relevant Trust Deed, the relevant 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 such relevant 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 in respect of the relevant Tranche.

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 Tranche A Securities—Taxation*” and “*Terms and Conditions of the Tranche B 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 Europe 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 14 July 2047 (in respect of the Tranche A Securities) or on or after 14 April 2046 (in respect of the Tranche B Securities).

Form

The Securities will be in bearer form and each Tranche will initially be represented by a Temporary Global Security, without interest coupons or talons, which will be deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. Each 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 24 August 2020, upon certification as to non-U.S. beneficial ownership. Each Permanent Global Security will be exchangeable for definitive Securities in bearer form in the denominations of (i) €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000 in respect of the Tranche A Securities and (ii) £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000 in respect of the Tranche B Securities, in each case 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 in respect of Tranche A Securities and above £199,000 in respect of Tranche B Securities.

Denominations

€100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000 in respect of the Tranche A Securities.

£100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000 in respect of the Tranche B Securities.

Listing and Admission to Trading

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.

Governing Law

English law save for certain provisions relating to subordination which shall be governed by Scots law.

Ratings

The Securities are expected to be rated BBB- by Standard & Poor's 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 European Union or the United Kingdom and is registered under Regulation (EC) No 1060/2009 (as amended). As such each Rating Agency is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

Use and Estimated Net Amount of Proceeds

The estimated net proceeds of the issue of the Tranche A Securities, after deduction of commissions, fees, and estimated expenses, will be €498,500,000 and the estimated net proceeds will be used for general corporate purposes.

The estimated net proceeds of the issue of the Tranche B Securities, after deduction of commissions, fees, and estimated expenses, will be £597,972,000 and the estimated net proceeds will be used for general corporate purposes.

Selling Restrictions

The United States, the United Kingdom, Prohibition on sales to EEA and UK retail investors, 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

XS2195190520 in respect of the Tranche A Securities.

XS2195190876 in respect of the Tranche B Securities.

Common Code

219519052 in respect of the Tranche A Securities.

219519087 in respect of the Tranche B Securities.

TERMS AND CONDITIONS OF THE TRANCHE A 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 €500,000,000 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 15 June 2020. 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 14 July 2020 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 **Holder**s). 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. Copies of (i) the Trust Deed; and (ii) the paying agency agreement (the **Paying Agency Agreement**) dated 14 July 2020 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 for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL) and at the specified offices of 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) 14 July 2020 (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.

Save as provided in Condition 4(c), 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, save as provided in Condition 4(c), 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 3.125 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) 14 July 2032, 3.415 per cent.; (ii) each Reset Period which falls in the period commencing on (and including) 14 July 2032 and ending on (but excluding) 14 July 2047, 3.665 per cent.; and (iii) each Reset Period which falls on or after 14 July 2047, 4.415 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 the Reset Reference Banks), 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 as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents or the 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 Capital Event to occur.

- (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 resettable 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 expertise 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.

If a Mandatory Settlement Date does not occur prior to the calendar day which is the fifth anniversary of the Interest Payment Date on which the relevant Deferred Interest Payment first arose, it is the intention, though not an obligation, of the Issuer to pay all outstanding Arrears of Interest (in whole, but not in part) on the next following Interest Payment Date.

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) 14 April 2027 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 30 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 14 April 2027) or (ii) their principal amount (in the case of a Tax Event where such redemption occurs on or after 14 April 2027 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 30 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 14 April 2027) or (ii) their principal amount (where such redemption occurs on or after 14 April 2027), 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 30 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 14 April 2027) or (ii) their principal amount (where such redemption occurs on or after 14 April 2027), 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 30 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 30 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) or any substitution or variation of the Securities in accordance with Condition 7 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, substitution or, as the case may be, variation 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.

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 14 July 2020 (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 14 July 2027;

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

IFRS means International Financial Reporting Standards as adopted by the EU;

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 14 July in each year, commencing on (and including) 14 July 2021;

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 on which a Compulsory Arrears of Interest Settlement Event occurs; or
- (ii) 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 £750,000,000 Capital Securities (ISIN: XS1196714429), the Issuer's €600,000,000 Capital Securities (ISIN: XS1196713298), 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) 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 Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. or any of its subsidiaries and their successors or Moody's Investors Service, Inc. 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 14 July 2020 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 14 July 2020;

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 Europe 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 14 July 2047.*

“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).

TERMS AND CONDITIONS OF THE TRANCHE B 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 £600,000,000 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 15 June 2020. 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 14 July 2020 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 **Holder**s). 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. Copies of (i) the Trust Deed; and (ii) the paying agency agreement (the **Paying Agency Agreement**) dated 14 July 2020 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 for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL) and at the specified offices of 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) 14 July 2020 (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, except that the first payment of interest, to be made on 14 April 2021, will be in respect of the period from (and including) the Issue Date to (but excluding) 14 April 2021.

(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.

Save as provided in Condition 4(c), 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) (or, in respect of interest accruing during the first Interest Period, the period from (and including) 14 July 2020 to (but excluding) 14 April 2021) (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, save as provided in Condition 4(c), 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 penny (half a penny 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 3.740 per cent. per annum (the *First Fixed Interest Rate*), payable annually in arrear on the Interest Payment Date in each year, except that the first payment of interest, to be made on 14 April 2021, will be in respect of the period from (and including) the Issue Date to (but excluding) 14 April 2021 and will amount to £28.08 per Calculation Amount.

(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:

$$\text{"Subsequent Fixed Interest Rate"} = \text{Reset Reference Bank Rate} + \text{Margin}$$

all as determined by the Agent Bank, with such sum converted to an annual basis (as calculated by the Agent Bank), and where:

Reset Reference Bank Rate means, in respect of a Reset Period, the gross redemption yield (as calculated by the Agent Bank on the basis set out by the United Kingdom Debt Management Office in the paper "*Formulae for Calculating Gilt Prices from Yields*", page 4, Section One: Price/Yield Formulae "*Conventional Gilts; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date*" (published on 8 June 1998 and updated on 15 January 2002 and as further updated or amended) or if such basis is no longer in customary market usage at such time, in accordance with generally accepted market practice at such time as determined by the Issuer following consultation with the Agent Bank, on a semi-annual compounding basis (rounded up (if

necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for the purpose of determining the gross redemption yield being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reset Reference Banks at 11.00 a.m. (London time) on the Reset Determination Date in respect of such Reset Period on a dealing basis for settlement on the next following Benchmark Gilt Dealing Day in London. Such quotations shall be obtained by or on behalf of the Issuer and provided to the Agent Bank. If at least four quotations are provided, the Reset Reference Bank Rate will be determined by reference to the rounded arithmetic mean of the quotations provided, 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 or three quotations are provided, the Reset Reference Bank Rate will be determined by reference to the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be determined by reference to the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be the previous Reset Reference Bank Rate or (in the case of the first Reset Period) -0.041 per cent. where:

Benchmark Gilt means, in respect of a Reset Period, such United Kingdom government security customarily used at the time of selection in the pricing of new issues with a similar tenor having an actual or interpolated maturity date on or about the last day of such Reset Period as the Issuer (on the advice of an investment bank of international repute) may determine to be appropriate following any guidance published by the International Capital Market Association at the relevant time (if any); and

Benchmark Gilt Dealing Day means a day on which the London Stock Exchange plc (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities;

Margin means in respect of (i) the Reset Period ending on (but excluding) 14 April 2031, 3.756 per cent.; (ii) each Reset Period which falls in the period commencing on (and including) 14 April 2031 and ending on (but excluding) 14 April 2046, 4.006 per cent.; and (iii) each Reset Period which falls on or after 14 April 2046, 4.756 per cent; and

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

Holder, 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.

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.

If a Mandatory Settlement Date does not occur prior to the calendar day which is the fifth anniversary of the Interest Payment Date on which the relevant Deferred Interest Payment first arose, it is the intention, though not an obligation, of the Issuer to pay all outstanding Arrears of Interest (in whole, but not in part) on the next following Interest Payment Date.

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) 14 January 2026 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 30 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 14 January 2026) or (ii) their principal amount (in the case of a Tax Event where such redemption occurs on or after 14 January 2026 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 30 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 14 January 2026) or (ii) their principal amount (where such redemption occurs on or after 14 January 2026), 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 30 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 14 January 2026) or (ii) their principal amount (where such redemption occurs on or after 14 January 2026), 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 30 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 30 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) or any substitution or variation of the Securities in accordance with Condition 7 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, substitution or, as the case may be, variation 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 unmaturing 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 unmaturing Coupons and all unexchanged Talons) to the Principal Paying Agent. Securities so surrendered shall be cancelled forthwith (together with all unmaturing 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 sterling account maintained by the payee with a bank in London.
- (ii) Each Security should be presented for redemption together with all unmaturing 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 unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing 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, unmaturing 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 unmaturing 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 sterling 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.

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);

Benchmark Gilt has the meaning given to it in Condition 4(d);

Benchmark Gilt Dealing Day has the meaning given to it in Condition 4(d);

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;

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 14 July

2020 (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);

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

First Reset Date means 14 April 2026;

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

IFRS means International Financial Reporting Standards as adopted by the EU;

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 14 April in each year, commencing on (and including) 14 April 2021;

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 on which a Compulsory Arrears of Interest Settlement Event occurs; or
- (ii) 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 £750,000,000 Capital Securities (ISIN: XS1196714429), the Issuer's €600,000,000 Capital Securities (ISIN: XS1196713298), 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) and the Issuer's €500,000,000 Capital Securities (ISIN: XS2195190520);

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 Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. or any of its subsidiaries and their successors or Moody's Investors Service, Inc. 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 brokers of gilts and/or gilt-edged market makers 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;

Sterling means the lawful currency of the United Kingdom;

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;

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 14 July 2020 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 14 July 2020;

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 Europe 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 14 April 2046.*

"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

Each Temporary Global Security and each Permanent Global Security will contain provisions which apply to the relevant Securities while they are in global form, some of which modify the effect of the Conditions of the relevant Security. The following is a summary of certain of those provisions as they relate to the relevant 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 24 August 2020, 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 (in respect of the Tranche A Securities), or a bank in London (in respect of the Tranche B Securities) 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.

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 Tranche A Securities or, as the case may be, £1,000 in principal amount of the Tranche B 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 £14.4 billion and was the 30th largest company in the FTSE 100 as at 31 May 2020. 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
Richard Gillingwater CBE	Chair
Alistair Phillips-Davies	Chief Executive
Gregor Alexander	Finance Director
Martin Pibworth	Energy Director
Crawford Gillies	Senior Independent Director
Tony Cocker	Non-Executive Director
Peter Lynas	Non-Executive Director
Dame Susan Bruce DBE	Non-Executive Director
Helen Mahy CBE	Non-Executive Director
Melanie Smith	Non-Executive Director
Dame Angela Strank DBE	Non-Executive Director

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

- **Richard Gillingwater CBE** is Chair of Henderson Group plc, Senior Independent Director of Whitbread plc.
- **Alistair Phillips-Davies** is a member of the Scottish Energy Advisory Board and the Accenture Global Energy Board.
- **Gregor Alexander** is Chair of Scotia Gas Networks Ltd and a non-Executive Director of Stagecoach Group plc.
- **Martin Pibworth** is a Member of Energy UK Board.

- **Crawford Gillies** is Chair of The Edrington Group Ltd and Senior Independent Director of Barclays plc.
- **Tony Cocker** is Chair of Affinity Water Ltd and 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 the Renewables Infrastructure Group Ltd, a Non-Executive Director of Bonheur ASA and an Equality and Human Rights Commissioner.
- **Melanie Smith** is CEO of Ocado Retail Limited, Trustee at Beat, Trustee of Sadlers Wells and Advisory Board member of Manaia.
- **Dame Angela Strank DBE** is Head of Downstream Technology and Group Chief Scientist of BP plc and a Non-Executive Director at Severn Trent plc and Rolls Royce plc.

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

SSE Energy Services transaction

SSE Energy Services, comprising SSE's domestic energy supply and energy-related services businesses in Great Britain, is the third-largest supplier in the GB energy market. Since it stepped away from a planned merger with npower in December 2018, SSE had been actively progressing a range of options for the future of SSE Energy Services, including a possible sale, alternative transaction or standalone listing. In these considerations, the interests of customers, employees and shareholders have been paramount. On 15 January 2020, SSE completed the sale of its SSE Energy Services business to OVO Energy Limited, a wholly owned subsidiary of OVO Group Limited, at an enterprise value of £500 million comprising £400 million in cash and £100 million in loan notes.

Sale of Slieve Divena II windfarm

On 30 March 2020, the SSE Group disposed of its subsidiary Slieve Divena Wind Farm No. 2 Limited to Greencoat UK Wind Holdco Limited for consideration of £51.0 million, recognising a non-exceptional gain on disposal of £25.2 million.

Sale of a stake in SSE Slough Multifuel

On 2 April 2020, the SSE Group entered into an agreement with Copenhagen Infrastructure Partners (CIP) to sell a 50 per cent. stake in the Group's subsidiary SSE Slough Multifuel Limited for an initial consideration of £10 million. The sale agreement includes further contingent consideration of up to £59.6 million, dependent upon the successful delivery of certain milestones. The Group is continuing to assess the probability of these contingent consideration receivables being met.

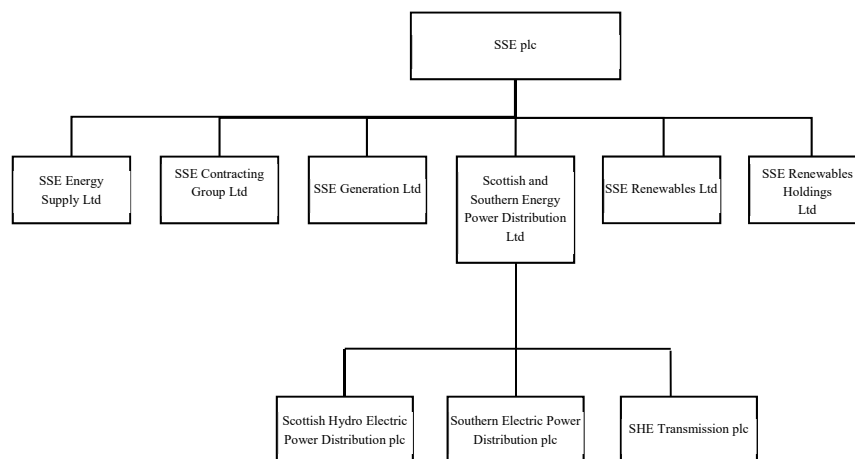
Sale of a stake in Seagreen Windfarm

On 3 June 2020, the SSE Group entered into an agreement to sell a 51 per cent. stake in its Seagreen 1 offshore wind farm project to Total for an initial consideration of £70 million. The sale includes an equivalent stake in a

potential extension opportunity at the site of up to 360MW. The Group is continuing to assess the gain on sale that will be recognised from the transaction.

The SSE Group

SSE Group — Principal Subsidiaries as at 31 May 2020



SSE has operations and investments across the UK and Ireland and is involved in the generation, transmission, distribution and supply of electricity, the production, storage, distribution 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.

SSE 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. SSE also has a one third stake in the gas distribution company, SGN. These businesses distribute energy to homes and workplaces in Scotland and the south of England and are subject to regulatory controls set by OFGEM.

SSE 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. 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, operates an energy portfolio management division and invests in gas production in the North Sea and west of Shetland. These wholesale businesses contribute significantly to electricity and gas systems of 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 and Enterprise work 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. SSE supplies energy and other services to the GB household market through SSE Energy Services. In December 2018 the decision was taken not to proceed with a proposal to create a new independent company through the merger of SSE Energy Services with another energy supplier. However, on 15 January 2020, SSE completed the sale of its SSE Energy Services business to OVO Energy Limited, a wholly owned subsidiary of OVO Group Limited, at an enterprise value of £500 million comprising £400 million in cash and £100 million in loan notes.

SSE’s core, low-carbon businesses are the engine rooms of its strategic delivery. Earnings derived from renewable sources of energy and regulated energy networks account for the majority of Group operating profit, and it is these

businesses that are best placed to seize the opportunities presented by decarbonisation and electrification. Changes to SSE's business structure implemented from 1 April 2019 have created strong focus for individual business units and clear visibility of value. In particular, SSE is consolidating the development and operation of all its renewable energy assets under single management in a business to be known as SSE Renewables. This new model also gives greater focus to the specific requirements of SSE's Distribution and Transmission networks businesses, which are vital low-carbon enablers. These low-carbon renewables and networks businesses are supported by thermal generation plants that provide vital flexibility complementing the variability of renewables output during the low-carbon transition, and retail operations that provide key energy services for customers and secure valuable routes to market for SSE's generation fleet.

At the very heart of SSE's strategy is a commitment to developing, operating and owning the assets that create lasting value and are vital to the low-carbon transition. It has world-class assets, a coveted pipeline of opportunities, and skills and sector experience in project development, procurement, construction management, operations, customer service and finance that enhance value for both shareholders and society. An increased investment appetite for low-carbon electricity assets presents opportunities to form new financial partnerships and create value from successful development and operation of assets. This fits with a strategy of developing and operating, but not always wholly owning assets. Timely capital recycling will continue to be an important feature to realise value from development while retaining key stakes so SSE can add value from operations and retain options for future growth. Growth could also come from areas beyond SSE's home markets in Great Britain and the island of Ireland, where new or adapted technologies might provide opportunities for growth subject to SSE's strict capital discipline.

Impact of coronavirus on the SSE Group

While it remains too early to forecast with complete accuracy the human, social, economic and business impact of the coronavirus pandemic, SSE has completed an initial assessment of the potential financial impact on its business units in the 20/21 financial year. This has confirmed that the impact of the coronavirus pandemic on the wider economy is likely to have adverse effects on a number of SSE's business units, and these effects may be substantial in the context of one financial year but are expected to be temporary in duration. As the wider impact of the pandemic becomes clearer, SSE will keep under review its assessment of the impact on its business units. The comprehensive plan set out below is designed to give SSE the best opportunity to mitigate the economic and business impacts of the pandemic, and in doing so achieve two clear and related objectives:

- sustain its ability to pay dividends, on which people with pensions and savings depend for income (especially in the current financial climate); and
- promote the long-term success of the company, realising future opportunities in the transition to net zero for the benefit of its stakeholders.

The coronavirus pandemic is having a significant impact on every company operating, like SSE, in the UK and Ireland. Relative to many other companies, however, the impact on SSE is mitigated by its business model and the nature and quality of its asset base in regulated electricity networks and renewable energy, and the role it plays in the transition to net zero emissions. SSE believes that the quality and nature of SSE's businesses and assets, and their potential for sustainable value creation, is likely to transcend the financial impact of the coronavirus pandemic in 2020/2021.

This comprehensive plan is designed to ensure that SSE emerges from the impacts of the coronavirus pandemic in 2020/2021 well-placed to play a full part in the transition to net zero emissions, that will – amongst other things – be key to wider economic recovery in the UK and Ireland. In its response to the pandemic, SSE has sought to be a responsible employer, working closely with its recognised trade unions, and has agreed with the unions to permit flexible working practices and to continue to fully pay staff through the use of the UK government's Job Retention Scheme – SSE has not 'furloughed' any employees. The benefits of this flexible

working plan will have long-lasting effects and will accelerate the delivery of new and efficient ways of working.

While no material net financial impact from the pandemic is expected in 2020/2021 for SSE's Transmission, Renewables and Thermal businesses, the wider economic impact of the pandemic on the economies of the UK and Ireland is currently expected to have the following main adverse effects on SSE's other businesses in 2020/2021, with the greater impacts likely to be experienced in the first six months of the financial year:

- reduced demand for electricity affecting Distribution Use of System (“DUoS”) for SSEN Distribution;
- reduced demand from customers for electricity and related services;
- excess electricity hedges with negative mark-to-market valuations; and
- higher levels of customers bad debt.

Potential impact of the coronavirus pandemic on SSE's operating profit

Given the unprecedented nature of the coronavirus pandemic, SSE will keep under review the impact of the pandemic on its business units as the wider economic consequences of the pandemic become clearer. The net negative impact of the adverse effects on SSE's adjusted operating profit in 2020/21 may be significant in the context of one financial year, however, because of the continuing uncertainty about the impact of the coronavirus pandemic, and because it is early in the financial year, it is difficult to assess with any certainty the net negative impact (if any) of the coronavirus pandemic on SSE's adjusted operating profit in 2020/21. Areas which may see a negative impact include (but are not limited to) the following:

- in **Electricity Distribution** as a result of reduced customer demand and reduced new connection activity;
- in **SGN** as a result of reduced activity;
- in **Customer Solutions** as a result of the impact of reduced demand, increased bad debts and losses incurred on the mark to market valuations for hedged volumes that are no longer required; and
- in **SSE Enterprise** as a result of reduced contracting order book and reduced overall activity.

Adjusted net finance costs may also see an increase if there is a higher amount of net debt in the period.

Additionally, the continuing uncertainty also means it is possible that some adverse business effects arising from the coronavirus pandemic may continue into the 2021/2022 financial year and beyond.

SSE's plan to respond to coronavirus impacts

SSE's plan features three main approaches to mitigating the potential impact of the coronavirus pandemic on its business units in 2020/2021, with the related objectives of sustaining its ability to pay dividends and promoting the long-term success of the company:

- Maintaining good liquidity and effective financial management, demonstrated by the successful launch in April 2020 of a Euro bond with Sterling equivalent, with proceeds of around £975 million;
- Managing cash outflow with a downward pressure by reviewing operational expenditure plans and, where possible, by deferring capital expenditure until 2021/2022; and
- Securing value and cash proceeds from timely disposal of assets and businesses that are non-core to SSE's strategic focus on the transition to net-zero emissions.

Networks

SSE has an ownership interest in five economically-regulated energy network companies: (i) Scottish Hydro Electric Transmission plc (100 per cent.); (ii) Scottish Hydro Electric Power Distribution plc (100 per cent.); (iii)

Southern Electric Power Distribution plc (100 per cent.); (iv) Scotland Gas Networks plc (33.3 per cent.); and (v) Southern Gas Networks plc (33.3 per cent.). In this Prospectus, this business segment is referred to as “Networks”.

The adjusted operating profit for Networks was £776.7 million for the financial year ended 31 March 2020 (£830.2 million in the period to 31 March 2019), which was 52 per cent. of the Group’s adjusted operating profit from continuing operations. SSE estimates that the total Regulated Asset Value (“RAV”) of its economically-regulated ‘natural monopoly’ business was £9,106 million as at 31 March 2020, up £377 million from £8,729 million as at 31 March 2019. As at 31 March 2020, the RAV comprised around: (i) £3,469 million for electricity transmission; (ii) £3,685 million for electricity distribution; and (iii) £1,952 million for gas distribution (i.e. 33.3 per cent. of Scotland Gas Network plc and Southern Gas Network plc’s total RAV), compared with the RAV as at 31 March 2019 which comprised around: (i) £3,276 million for electricity transmission; (ii) £3,555 million for electricity distribution; and (iii) £1,898 million for gas distribution. SSE’s energy networks businesses are on course to reach total RAV of £12 billion by March 2026.

OFGEM sets price controls (which in the future will be five year price controls) under the RIIO (Revenue = Incentives + Innovation + Outputs) framework through which energy network companies earn index-linked revenue through charges levied on customers set at a level to cover costs and earn a reasonable return, subject to delivering value for customers, being efficient and achieving targets set by OFGEM.

As part of setting price controls, OFGEM defines total expenditure (“Totex”) allowances for each of the economically-regulated networks, which is designed to encourage them to deliver their outputs at the lowest total cost, without preferring operational expenditure or capital expenditure. Totex underspends are shared between the companies and their customers. OFGEM also uses the price control process to incentivise companies to deliver defined outputs for customers. If companies deliver, they can earn additional incentive income; if not, they will suffer a financial penalty.

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 remote islands.

Since the start of the eight-year RIIO-T1 Price Control in 2013, capital investment in SSEN Transmission has totalled over £3 billion, with this investment playing 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.

The coronavirus pandemic has highlighted the critical importance of electricity network reliability to society and the need for a safe and reliable supply of electricity.

SSEN Transmission is very focused on its role in maintaining a safe and reliable supply of electricity to the communities it serves and during 2019/20 it continued to maintain impressive network reliability of over 99.99 per cent. Faults that impacted end users led to a loss of demand totalling just 1.15MWh resulting in SSEN Transmission earning £1.2 million through the Energy Not Supplied (ENS) Incentive. This will be reflected in 2021/2022 earnings.

The ENS Incentive provides a financial reward or penalty, on a sliding scale basis, if the volume of energy not supplied to customers due to faults is below (reward) or above (penalty) a pre-determined annual target, which for SSEN Transmission is 120MWh. SSEN Transmission expects the ENS Incentive to continue with a new target in RIIO-T2, during which SSEN Transmission has a clear goal to aim for 100 per cent. network reliability, where economic to do so.

SSEN Transmission has an ongoing programme of inspections, maintenance, refurbishment and asset replacement to ensure its critical national infrastructure continues to deliver for electricity customers, generators and wider society. This includes the replacement of the existing transmission line from Inveraray to Crossaig, with these

major works being essential to maintaining security of supply in Argyll and Kintyre. Construction of the first phase of this project, from Inveraray to Port Ann, is under way and remains on track for completion in 2021 with the second phase, from Port Ann to Crossaig, to be delivered in RIIO-T2.

SSEN Transmission's north of Scotland operating area is home to some of the UK's greatest resources of renewable electricity. During 2019/2020 it connected around 135MW of new renewable electricity generation, contributing to an overall increase in the total renewable electricity capacity connected to SSEN Transmission's network from 3.3GW at the start of RIIO-T1 to over 6.3GW today.

While there has been a slowdown in new onshore wind connections in the final years of RIIO-T1, SSEN Transmission continues to see strong demand for future grid connections and notes proposed changes to the UK Government's policy to reintroduce support for onshore wind in future CfD auctions. Additionally, the next Scotwind leasing round for future offshore wind farm sites in waters off the coast of Scotland may result in further growth of renewables connecting to SSEN Transmission's network.

Based on the 'Certain View' of generation growth forecast over the RIIO-T2 period, SSEN Transmission expects the installed renewable capacity connected to its network in the north of Scotland will increase to at least 10GW, the equivalent of powering 10 million homes, and therefore playing a pivotal role in the UK's net zero targets as well as supporting future earnings and RAV growth. In addition, following the introduction of net zero emissions legislation, based on SSEN Transmission's 'Likely View' this could increase to around 12GW, putting the north of Scotland on a clear pathway to net zero.

As SSEN Transmission plays its part in enabling a net zero economy, it will be guided by its strategy which is focused on innovative and flexible connections, delivered in greater collaboration with customers and other stakeholders.

The forecast growth and continued renewal of SSEN Transmission's network will support future earnings and RAV growth. Progress made on the capital investment programme can be seen in the new 400kV substation at Fort Augustus, which remains on track for completion in 2021. The substation is a key component to support the growth in renewables, unlocked by the replacement Beauly to Denny line that was completed by SSEN Transmission in 2015. The Fort Augustus substation builds on a number of delivery milestones in 2019/20 including completion, on time and on budget, of the Fort Augustus to Fort William overhead line refurbishment and completion of the 275kV line between Knocknagael and a new substation at Tomatin.

A significant proportion of current and future works are focused on the east coast, building the transmission network infrastructure required to connect and transport the growth in renewable energy. This includes the ongoing construction of new substations at New Deer and Rothienorman, which are progressing as scheduled. Both will initially operate at 275kV, increasing to 400kV as part of the wider east coast onshore reinforcements that are scheduled for RIIO-T2, which will see the capacity of the existing east coast line increase to 400kV. These works will also include new substations at Alyth and Peterhead, and an extension to the existing substations at Fetteresso, Kintore and Tealing.

SSEN Transmission is also working with the other GB Transmission Owners, Scottish Power Energy Networks and National Grid Electricity Transmission, on grid reinforcement proposals to develop a subsea High Voltage Direct Current (HVDC) link from Peterhead substation to Drax substation in the north east of England.

SSEN Transmission continues to work with stakeholders across the three Scottish island groups to develop and take forward proposals to enable transmission connections to renewable electricity. Together, the three links could provide an investment opportunity of around £1.5 billion for SSEN Transmission.

In September 2019, Ofgem approved SSEN Transmission's Needs Case for the 220kV (220MW) Orkney link, subject to Orkney renewable developers meeting a number of conditions by no later than December 2021. Subject to developers meeting Ofgem's conditions, energisation of the link is not expected before 2025.

In April 2020, Ofgem published a consultation on the Shetland transmission link in which it stated that it is minded to approve a 600MW HVDC link to Shetland, conditional on a positive final investment decision being reached in respect of the Viking Wind Farm. As well as unlocking Shetland’s renewable potential, the link could help meet Shetland’s future security of supply needs and it is scheduled for energisation in 2024, pending construction of the Viking Wind Farm.

As developers have been unable to collectively commit to the volume of megawatts required to underpin the regulatory investment case for the proposed 600MW Western Isles HVDC link, the planned energisation date has been moved back to 2025 at the earliest.

SSEN Transmission will continue to engage constructively to take forward proposals for each island link in a timely and efficient manner as soon as developer commitment and all necessary regulatory and planning approvals are confirmed.

SSEN Transmission remains committed to working constructively with the Electricity System Operator (ESO), Ofgem and other stakeholders as part of ESO’s development of competition for the RIIO-T2 period. It continues to believe that any further extension of competition in onshore transmission should be underpinned by legislation, and should only be considered where it can be clearly demonstrated that it does not compromise the security and effective operation of GB’s critical national electricity infrastructure and that it provides demonstrably better value to consumers.

In December 2019, SSEN Transmission submitted to Ofgem and published its final Business Plan for the RIIO-T2 price control, ‘A Network for Net Zero’, following over two years of detailed stakeholder engagement. The evidence-based business plan makes a powerful investment case that a minimum total expenditure of £2.4 billion is required over the five-year price control period to maintain and grow the north of Scotland transmission network in order to meet the needs of current and future electricity generators and customers. Subject to Ofgem’s final determination, this could see the Regulatory Asset Value of SSEN Transmission increase to over £5 billion by 2026.

Whilst the coronavirus pandemic resulted in Ofgem postponing its planned Spring 2020 Open Hearings, Ofgem has confirmed it expects the RIIO-T2 process to remain on track, with draft determinations still expected to be consulted on in the Summer of 2020 with final determinations due to be published towards the end of 2020.

Despite the impact of coronavirus, SSEN Transmission continues to believe its business plan delivers against the needs of, and retains the support of, its stakeholders; it provides the flexibility required to manage uncertainty in the speed and scale of future decarbonisation; and will deliver significant local and national economic benefits as part of a post coronavirus green economic recovery.

SSEN Transmission will continue to engage constructively with all stakeholders as part of the ongoing price control process. It remains committed to delivering the infrastructure investment needed to achieve net zero targets, and it intends to do this through its ambitious Business Plan and under an appropriate regulatory financial framework.

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.

The total volume of electricity distributed by SEPD and SHEPD during the financial year to 31 March 2020 was 38.0TWh, compared with 38.3TWh in the previous year. Capital expenditure in electricity distribution networks was £364.9 million in the year to 31 March 2020, compared to £340.7 million in the previous year.

Ofgem sets price controls (which in future will be for five-year periods) under the RIIO (Revenue = Incentives + Innovations + Outputs) framework for electricity distribution companies. The RIIO-ED1 price control runs until 2023; the RIIO-ED2 price control will run from 2023 to 2028.

Three years remain of the RIIO-ED1 Price Control, and SSEN Distribution continues to deliver significant changes to its operations, process and standards, with the needs of its customers remaining at the forefront of decision making. Operational changes implemented by SSEN Distribution in 2019/20 have positioned the business to deliver in four key areas:

- good performance in relation to incentives available within RIIO-ED1;
- efficient delivery of capital investment;
- focused delivery of regulatory outputs; and
- maintaining a leadership position in innovation.

While the bulk of DNO profits are earned through the RIIO-ED1 allowed return on equity, incentives provide an opportunity to earn additional income in excess of base return but may equally result in penalties being applied for poor performance. SSEN Distribution has been targeting improvements in this area, and details of SSEN Distribution's performance on incentives for the financial year 2019/20 are provided below.

Incentive performance in relation to financial year 2019/20 for SSEN's Distribution business is expected to be £16.2 million (to be received in financial year 2021/22), compared to £10 million in relation to financial year 2018/19. This would represent a significant improvement, particularly in light of the tightening nature of targets year-on-year, and is SSEN Distribution's strongest performance since the 2016/17 incentive period.

There are three categories of incentives under RIIO-ED1: (i) the Interruptions Incentives Scheme, (ii) Customer Services, and (iii) Connections; a summary of each is set out below.

(i) Interruptions Incentives Scheme

SSEN Distribution's core priority is to provide a safe and reliable supply of electricity to the communities it serves. Equally, under the RIIO regulatory regime, 'keeping the lights on' for customers is a key revenue driver.

As part of the Interruptions Incentive Scheme (IIS), SSEN Distribution is incentivised on its performance against the loss of electricity supply through the recording of Customer Interruptions (CI) and Customers Minutes Lost (CML), which include both planned and unplanned supply interruptions.

Across both its licence areas, overall IIS incentive earnings were £7.8 million in 2019/20, up from £2.5 million in 2018/19.

These improved returns under the IIS scheme are driven by strong performance of the high voltage network and the continued implementation of automation measures, enabling the swift and efficient restoration of power supplies to customers, alongside network protection investment.

(ii) Customer Services

In 2019/20, SSEN Distribution secured a Broad Measure of Customer Satisfaction Incentive reward of £5.6 million, up significantly from £4.7 million the previous year. The improvement has been driven by improved communication with customers. Greater notice of planned shutdowns is now provided and action has been taken to improve the Estimated Time of Restoration process, giving advanced notice and accurate information to SSEN Distribution's customers. These measures have also led to a 20 per cent. reduction in complaints in 2019/20 compared to the previous year.

SSEN Distribution was awarded an increased customer satisfaction rating from the Institute of Customer Service of 89 per cent., up from 88 per cent. in the previous financial year, and it secured the British Standard for Inclusive

Service Provision for the fifth consecutive year, recognising that its policies, procedures and services are accessible and fair to all customers.

(iii) Connections

The customer-focused improvements SSEN Distribution has implemented in its connections business continues to deliver consistent high performance, reflected by the award of £2.7 million under the Average Time to Connect (TTC) Incentive for 2019/20. This is consistent with performance last year of £2.8 million and represents 90 per cent. of maximum allowable incentive.

In October 2019, Ofgem announced its decision not to penalise SSEN Distribution under the penalty only Incentive on Connections Engagement (ICE). This is the fourth consecutive year SSEN Distribution has avoided a penalty since the introduction of ICE at the beginning of the RIIO-ED1 Price Control period.

Under RIIO-ED1, incentive targets will become harder to achieve in the second half of the Price Control period, but SSEN Distribution remains confident that it will deliver sustained incentive performance in this area.

SSEN Distribution's seven Customer Operations regions now work to a new Regional Operating Model aimed at improving productivity, employee utilisation and customer service. Coordination Centres were established to implement a standardised way of working across the regions and to give teams greater visibility of their programmes of work, resources and performance. The new Regional Operating Model will deliver greater efficiency of network management and operational costs, and improved utilisation and productivity. This, in turn, will drive efficient delivery of regulatory outputs and improvements in incentive performance.

Key to successful delivery against a regulatory price control is efficient and focused capital investment. SSEN Distribution has a major capital investment programme for both its network areas, which will deliver significant improvements for its customers, as well as contributing to sustained and fair returns and increased RAV. During 2019/20, SSEN Distribution invested a total of £364.9 million across its distribution networks, bringing the total amount invested since the beginning of the RIIO-ED1 Price Control period to over £1.6 billion. This is part of a forecast investment of £2.4 billion throughout the RIIO-ED1 period, supporting future earnings through RAV growth.

In December 2019, Ofgem approved SSEN Distribution's proposal to share the cost of the transmission link to Shetland, which is required to meet the islands' energy needs, on condition of appropriate implementation in industry codes and final approval of the Shetland transmission link Needs Case. In line with SSEN Distribution's recommendation, if the transmissions link is approved, SSEN Distribution would contribute £251 million towards it, based upon the value of services it would provide to its local distribution network across the Shetland Islands.

SSEN Distribution is investing £162 million during RIIO-ED1 in improving visibility of flexibility opportunities, undertaking a comprehensive upgrade of its IT systems that will facilitate the use of network connectivity models and bridging the gap between planning and operational functions. Underpinning this work is a fundamental realignment of the supporting datasets and how our core systems share data.

In 2019/20, by utilising its Constraint Managed Zone (CMZ), SSEN Distribution avoided producing 2,450 tonnes of CO₂ emissions (the equivalent of powering half a million homes for a week). Rather than utilising diesel generators or a back-up power station during a period of network maintenance, a low-carbon generator was contracted instead. This is the first example of a low-carbon economically viable CMZ operating in the UK and is an important step forward in SSEN Distribution transitioning to a Distribution System Operator ("DSO").

The roll-out of SSEN Distribution's Active Network Management programme will be completed in 2020/21, enabling it to utilise flexibility options over traditional network reinforcement, supporting smarter management of the energy system and establishing SSEN's credentials as a DSO.

Led by SSEN Distribution, Project Local Energy Oxfordshire (“LEO”) is showing how the growth in small scale renewables, EVs, battery storage and demand side response can be supported by a local, flexible and responsive electricity grid, ensuring value for consumers and opportunities for communities and market providers. In the first of its three years, Project LEO has made good progress, with 47 assets identified to take part in the trials. Project LEO is backed by £13.8 million of funding from the UK Government’s Industrial Strategy Challenge fund, and is running concurrently in Oxfordshire with Project Transition, funded by an £11 million Ofgem grant, which will replicate DSO models. Further information on the respective projects is available on www.project-leo.co.uk and www.ssen-transition.com.

SSEN Distribution strongly supports the UK’s net zero emissions targets and the proposed plans to bring forward the phasing out of internal combustion engine vehicles. The Committee on Climate Change’s 2019 Net Zero Technical Report states that meeting net zero could double electricity demand in the UK by 2050, and electricity networks will have a critical role in accommodating this. SSEN Distribution can provide secure, resilient infrastructure that supports this increasing demand, sharing the data and key learnings from innovation projects in order to ensure drivers have the confidence to make the transition to EVs. SSEN Distribution published its first Electric Vehicle (“EV”) Strategy document in March 2020.

Recognising earlier targets in Scotland, SSEN Distribution is working alongside the Scottish Government, Transport Scotland and Scottish Power Energy Networks in a Strategic EV Partnership to provide £7.5 million of investment and innovation in planning and delivering the infrastructure required for the EV rollout. A separate Strategic Heat partnership has been created with the Scottish Government recognising the distinct challenge that decarbonising heating poses. SSEN Distribution is seeking to progress options for similar collaboration at a UK level.

SSEN Distribution continues to make significant progress in planning for the RIIO-ED2 price control period, with its draft business plan due to be submitted to Ofgem in May 2021 and a final plan due to be submitted later that year. A key focus for the year was the establishment of its RIIO-ED2 Customer Engagement Group (“CEG”).

The CEG, chaired by Tracey Matthews who also led the SSEN Transmission RIIO-T2 User Group, brings together eight experts with varied backgrounds including energy regulation, consumer advocacy, fuel poverty, community renewables and asset management. SSEN Distribution is confident it will provide the right level of industry and consumer insight, independent challenge and scrutiny as it prepares its RIIO-ED2 business plan. SSEN Distribution has also commenced an enhanced consumer and stakeholder engagement programme to ensure its business plan is fully shaped by external views and is reflective of societal needs.

To understand the growth potential expected during RIIO-ED2, SSEN Distribution worked with energy consultants Regen and local stakeholders to produce local future energy scenarios for each of its distribution areas during 2019/20. This analysis supports SSEN Distribution’s efforts to understand what energy needs are likely at a local level and provides a strong rationale for strategic investment in anticipation of network demand. In addition to this work, SSEN Distribution has also progressed engagement with local authorities and other stakeholders on the role of Local Area Energy Plans (“LAEPs”), an initiative designed to ensure network investment is progressed in concert with local development.

Ahead of the publication of the RIIO-ED2 sector specific framework later this summer, SSEN Distribution has actively participated in a series of working groups held by Ofgem on key areas such as strategic investment and the interruptions incentive framework. SSEN Distribution will continue to advocate constructively for a regulatory framework that strikes the right balance between driving efficiency and delivering the necessary investment required for network reliability, innovation and customer service improvements and further decarbonisation of the energy system.

Gas Distribution

SSE continues to hold a 33 per cent. investment stake in SGN, the gas distribution company which serves 5.9 million homes and businesses across the south of England, all of Scotland, and the western region of Northern Ireland. SGN is both the best performing gas network on Ofgem's customer service measures and a leader in innovation and new technologies. Looking after communities through the provision of a safe and reliable gas distribution network is a key priority, and this focus continued through the coronavirus pandemic in line with official guidance on critical work and social distancing. During the year to 31 March 2020, 98 per cent. of uncontrolled gas escapes were attended to in under an hour and 16,787 new gas connections were delivered, including 2,095 assisted connections as part of efforts to help those in fuel poverty.

SGN continues to make progress in its preparation for the next price control (RIIO-GD2) which is due to start from April 2021. Leading on innovation, supporting the decarbonisation agenda and delivering on engineering excellence, SGN has submitted a strong, stakeholder-led business plan to Ofgem in December 2019. This plan commits SGN to making a positive impact on society, delivering a safe and efficient service and contributing to net-zero goals by accelerating decarbonised gas solutions.

SSE Renewables

On 1 April 2019, SSE consolidated all its renewable energy assets in the UK and Ireland under the single banner of SSE Renewables. The business is led by Managing Director, Jim Smith, and has brought together SSE's existing operational assets and those under development in onshore wind, offshore wind, flexible hydro-electricity, run-of-river hydro-electricity and pumped storage.

SSE Renewables is a core part of the SSE Group and central to its future growth plans. It comprises the company's existing operational assets and those under development in onshore wind, offshore wind, flexible hydro-electricity, run-of-river hydro-electricity and pumped storage.

Further decarbonisation of electricity, heat and transport – on the scale envisaged by the UK Committee on Climate Change's 2019 report – relies on a significant scaling up of renewable sources of electricity, which SSE Renewables is well equipped to play a key part in delivering.

Onshore wind

In January 2020, SSE Renewables announced its decision to progress Gordonbush Extension (38MW) subsidy-free on a merchant basis, adding 11 turbines to the existing 35-turbine 70MW Gordonbush onshore wind farm in Sutherland. Construction is under way with the project expected to be operational by Spring 2021. A planning application for Cloiche wind farm, located in the Great Glen, was submitted in May 2020 seeking permission for at least 150MW capacity.

In March 2020, the UK Government announced it would allow onshore wind to compete in future Contracts for Difference ("CfD") auctions starting from the next allocation round in 2021. SSE Renewables believes that revenue stabilisation, like the CfD, will be needed in order to build out the volume of onshore wind required to deliver net zero targets cost-effectively.

SSE Renewables has approved a final investment decision for Viking Wind Farm (443MW) to invest around £580 million. Located on Shetland, it will be the largest onshore wind farm in the UK in terms of annual electricity output playing a vital role in meeting Scottish and UK net zero targets. Viking is the anchor project that commercially underpins the transmission link which will play a critical role in Shetland's security of supply needs. Both the wind farm and the link will bring vital socio-economic benefits to the islands, opening up much needed and sustainable diversification of the Shetland economy. SSE now awaits the outcome of the consultation on Ofgem's minded-to position to approve a 600MW transmission connection from Shetland to the GB mainland,

expected by July 2020. Final approval from Ofgem was conditional on the Viking Wind Farm reaching a positive final investment decision.

In Ireland, the Department of Communication, Climate Action and Environment has completed the pre-qualification process for the first auction under the new Renewable Electricity Support Scheme (RESS) due to be in August 2020. Successful projects will be awarded contracts for up to 15 years of support.

Offshore wind

SSE Renewables' operational offshore wind portfolio continued to perform well in FY 2019/20, with increased output driven by the Beatrice offshore wind farm (588MW – SSE Renewables' share 40 per cent.), which became fully operational in May 2019 and was officially opened by HRH The Duke of Rothesay in July 2019.

SSE Renewables' operational offshore portfolio consists of:

Asset	Capacity	SSE Renewables Share	Status
Walney (UK)	367MW	25 per cent.	Operational
Greater Gabbard (UK)	504MW	50 per cent.	Operational (Operated by SSE Renewables)
Beatrice (UK)	588MW	40 per cent.	Operational (Operated by SSE Renewables)

Offshore Development

In September 2019, SSE Renewables was awarded 15-year contracts in CfD Allocation Round 3 for the offshore wind projects shown in the table below. Outside the 15-year CfD period, the successful offshore wind projects will be important assets with significant earnings capacity anticipated over their operational lifetimes.

Project	CfD Contract Capacity	Strike Price (2012 prices)	Delivery Year
Dogger Bank A	1,200MW	£39.65/MWh	2023/2024
Dogger Bank B	1,200MW	£41.61/MWh	2024/2025
Dogger Bank C	1,200MW	£41.61/MWh	2024/2025
Seagreen 1	454MW	£41.61/MWh	2024/2025

Dogger Bank Wind Farm, located off the North East coast of England, is a joint venture with Equinor in which SSE Renewables has a 50 per cent. stake. The three successful Dogger Bank projects are each expected to generate over 5,000GWh of electricity annually. The joint venture continues to progress towards final investment decisions for all three projects, aiming for Q4 2020 for Dogger Bank A and B, and late 2021 for Dogger Bank C. SSE Renewables will lead the development and construction phases and Equinor will lead on operations. Preferred suppliers of turbines, turbine installation and foundation installation services, HVDC equipment, HVCD platform and the export cable have been announced, as has the location of the operations and maintenance base at Port of Tyne.

Seagreen, located in the Firth of Forth, has a total capacity of 1,075MW and is expected to generate around 5,000GWh of electricity annually. In early June 2020, Seagreen reached financial close following SSE Renewables' entry into an agreement to divest a 51 per cent. stake of Seagreen to Total. The sell-down includes an equivalent stake in a potential extension opportunity at the site of up to 360MW. SSE Renewables will continue to lead on the development and construction of Seagreen and will operate the asset on completion, which is expected in 2022/23. Preferred suppliers of turbines, offshore platform and onshore substation, and offshore and

onshore cables and foundations have been announced, as has the Montrose location of the operations and maintenance base.

In March 2020, BEIS confirmed that the judicial review against CfD AR3 had been withdrawn.

The Crown Estate’s Leasing Round 4 opened in October 2019 and will offer seabed rights for at least 7GW of new offshore wind projects in the waters around England and Wales. The process is under way and successful bidders are expected to be announced in late 2021. Crown Estate Scotland’s ScotWind seabed leasing process was launched in June 2020 with results expected by mid-2021. SSE Renewables is reviewing its options for participating in both processes.

In Ireland, SSE Renewables continues to progress its Arklow Bank offshore wind project, which is well placed to help Ireland achieve its targets in the Climate Action Plan of 1GW of offshore wind by 2025 and 3.5GW by 2030. An offshore RESS auction is expected to take place in Q2 2021. SSE Renewables has also submitted foreshore lease applications for two further Irish projects in the early stages of development: the 800MW Braymore Point project off the north-east coast and the 800MW Celtic Sea array off the south-east coast.

SSE Renewables’ future offshore development pipeline consists of:

Project	Capacity	SSE Renewables Share	Status
Arklow Bank (ROI)	520MW*	100 per cent.	Consented and in development
Seagreen Phase 2 & 3 (UK)	Up to 3,200MW	100 per cent.	In development
Greater Gabbard Extension (UK)	Up to 500MW	50 per cent.	In development

* Following further analysis, the capacity has been revised down from 800MW to c520MW

Hydro

SSE Renewables owns and operates the largest electricity storage capacity in the UK, comprising 750MW of flexible hydro and 300MW of pumped storage, as well as 400MW of run-of-river hydro. Its hydro fleet is uniquely placed in the GB system to deliver large-scale power that is both flexible and zero-carbon.

Optimising and enhancing this hydro resource is critical to supporting the electricity market and to enabling the transition to a net zero world by supporting the integration of high levels of renewables onto the electricity grid.

Hydro's performance continues to be enhanced by additional focus on flexing “nature’s batteries” to provide support to the grid when required and a higher utilisation of the storage and catchment within hydro, consistent with SSE Renewables’ environmental obligations.

SSE Renewables' hydro assets also provide a valuable option to the System Operator, which can take advantage of hydro's flexibility to meet system requirements. Increasingly, additional revenue opportunities for hydro will come from providing these grid services.

2019/2020 saw strong levels of production across the hydro fleet. The total hydro output (including pumped storage) during 2019/2020 was 3,870GWh (3,543GWh in 2018/2019). Improved operational reliability and proactive management of water – the ‘fuel source’ for hydro – through storage contributed to hydro’s strong performance.

The hydro fleet has high levels of availability and continues to perform reliably and efficiently with relatively low levels of operational expenditure supported by a proactive, long-term capital investment programme.

Investments are being made across the hydro fleet through SSE Renewables’ capital governance programme to ensure these assets endure over the coming decades. Grudie Bridge (18.7MW) is currently undergoing overhaul

(£16 million capex) with the first of two machines complete. This work will extend its operational life by at least a further 30 years and improve reliability and efficiency.

The refurbishment of the two generators at Foyers pumped hydro station is progressing well with the first of the two machines back in service. As this machine provides the bulk of Foyers' value, the station will now return to contributing significantly to grid services and income.

Following completion of these works, SSE Renewables will continue with its rolling programme of life extension fleet refurbishments. This will also increase their efficiency and flexibility, allowing SSE Renewables to capture more value from the available water.

SSE Renewables' currently has consent for 600MW of pumped storage at Coire Glas and is awaiting a decision on increasing this capacity up to 1,500MW. With no other bulk seasonal storage solution available in the UK, pumped storage can play an important role in the electricity system in the 2030s and beyond. As such, SSE Renewables continues to explore the business case for taking forward Coire Glas.

In December 2019, SSE Renewables entered into an agreement to acquire the development rights for a small portfolio of onshore wind projects in Germany from Holt Holding Group. These are small scale exploratory projects at very early stages of development. As a result of ongoing investigations by the German authorities into Holt Holding Group, SSE Renewables has stopped all development on these early stage projects in Germany and is supporting the authorities with their enquiries. SSE Renewables' potential financial exposure is limited to single digit millions of euros.

Thermal Generation

SSE Thermal owns and operates conventional thermal generation and energy from waste facilities in the UK and Ireland. The SSE Thermal fleet fulfils an important strategic function within SSE, providing the generation flexibility that is needed to support the transition to net zero. Within the wider electricity market, it provides reliable capacity at scale, and the flexibility to respond to market changes and to events and meet the needs of electricity customers in the event of, for example, unplanned nuclear outages and periods of low wind or rain.

SSE's Combined Cycle Gas Turbine fleet is among the most flexible on the GB and Irish electricity systems and has increasingly created value from its intra-day flexibility. Demonstrating flexibility through the Balancing Mechanism to support the electricity system for the benefit of electricity customers, thermal generation will remain an important complementary earnings stream, which varies from year to year but for SSE's thermal plant can exceed £50 million gross profit per annum. This flexibility is important in supporting the transition to a low-carbon electricity system whilst ensuring security of supply.

Capacity Market

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

Station	Asset type	Capacity	Capacity Obligation
Medway (GB)	CCGT	735MW SSE 100 per cent.	To September 2022
Keadby (GB)	CCGT	755MW SSE 100 per cent.	To September 2022
Keadby 2 (GB)	CCGT	840MW SSE 100 per cent.	15-year contract commencing October 2023

Peterhead (GB)	CCGT	1,180MW SSE 100 per cent.	To September 2024
Seabank (GB)	CCGT	1,164MW SSE 50 per cent.	To September 2022
Marchwood (GB)	CCGT	920MW SSE 50 per cent.	To September 2024
Great Island (Ire)*	CCGT	464MW SSE 100 per cent.	To September 2024
Rhode (Ire)*	Gas/oil peaker	104MW SSE 100 per cent.	To September 2024
Tawnaghmore peaking plant (Ire)*	Gas/oil peaker	104MW SSE 100 per cent.	To September 2024 October 2022 to September 2023
Tarbert (Ire)	Oil	590MW SSE 100 per cent.	To September 2022

* Based on provisional 2023/24 results.

As part of its low carbon strategy, SSE Thermal closed its last remaining operational coal-fired generation units (1,510MW) at Fiddlers Ferry on 31 March 2020, opening the way for a decommissioning programme. The closure of Fiddlers Ferry is part of SSE's commitment to a net zero emissions future and comes five years ahead of the UK Government's target to end unabated coal-fired electricity generation by 2025. It also supports SSE's decision in March 2020 to increase its target to reduce the carbon intensity of electricity generated by 50 per cent. by 2030 to a 60 per cent. reduction as part of setting its science-based targets. The Fiddlers Ferry closure follows the closure of the company's other coal-fired plant, the Ferrybridge 'C' station in West Yorkshire, in 2016. Demolition of Ferrybridge 'C' coal-fired power station is under way and is expected to be complete in 2021.

Lower-carbon thermal development

Construction of SSE Thermal's £350 million, 840MW CCGT at Keadby 2 in Lincolnshire, is in progress and is expected to be delivered by summer 2022. The project, which is adjacent to the existing Keadby CCGT, will introduce Siemens' first-of-a-kind, high efficiency, gas-fired generation technology to the UK, and is expected to achieve 63 per cent. gross efficiency. In March 2020, Keadby 2 won a 15-year contract from capacity year 2023/24 at a price of £15.97/kW (prices indexed annually by CPI which is estimated to be worth c.£17.29/kW when the contract begins in October 2023).

SSE Thermal has opportunities to develop further thermal power stations; these will only be progressed where they have a clear low-carbon pathway and are consistent with SSE's wider decarbonisation targets.

SSE Thermal strongly believes in the medium-term potential of pre- and post-combustion Carbon Capture, Use and Storage (CCUS) and Hydrogen to decarbonise flexible thermal generation. SSE Thermal is actively looking at developing generation assets with low carbon pathways at our sites, with a planning application for a low carbon CCGT at Keadby 3 in the early stages. SSE Thermal is a member of the Humber Cluster, which is entered into the UK Government's Industrial Strategy Challenge Fund competition. It is also involved in the Cavendish cluster on the Isle of Grain as well as the NECCUS grouping in Scotland. These clusters provide a forum to work with partners to develop opportunities for decarbonisation of SSE Thermal sites.

Construction of Ferrybridge Multifuel 2 (69MW – SSE Thermal share 50 per cent., a joint venture with Wheelabrator) is now complete and the site began commercial operation in December 2019. The facility is capable

of handling up to 675,000 tonnes of waste-derived fuels annually, diverting the waste away from landfill and instead using it as a valuable source of energy. The station will generate enough energy to power around 180,000 homes, while playing a key role in the UK's sustainable waste management strategy.

Site preparation work is also under way for a new energy-from-waste plant (up to 50MW) at Slough which will be operated by SSE Thermal under a 50:50 joint venture agreed with Copenhagen Infrastructure Partners (CIP) in April 2020. This site is expected to be operational by 2025 and when completed, will be capable of handling around 450,000 tonnes of waste-derived fuels annually.

SSE Thermal is also developing a 44MW multifuel unit at Skelton Grange under a 50:50 joint venture with Wheelabrator Technologies; the project is working towards FID by the end of 2020/21 and project completion in 2024. The proposed facility will divert around 400,000 tonnes of non-recyclable residential, commercial and industrial waste from landfill annually.

Gas Storage

SSE Thermal believes its Gas Storage assets can play an important role in the transition to net zero, despite the challenging economic conditions experienced by the sector in recent years. Gas storage has increasing importance for security of supply in light of the UK's continuing shift away from coal-fired generation and the resulting loss of inherent energy storage in coal stocks.

SSE Thermal holds around 40 per cent. of the UK's conventional underground gas storage capacity and its assets are well-placed to provide this service to energy users. While the market has historically undervalued this service, making it challenging to cover the cost of maintaining and operating these assets, SSE Thermal believes that the economics are now improving. Indeed, these assets returned to profit in 2019/20.

SSE Thermal remains committed to working with UK Government departments and Ofgem to ensure that the critical role of UK storage in relation to security of supply and stability of gas price is properly rewarded. These assets may also prove useful in the longer-term decarbonisation of our energy system, with potential repurposing for other lower carbon gases in the future.

SSE Business Energy

SSE Business Energy plays an important role in providing a valuable route to market for SSE's electricity generation businesses to non-domestic customers across GB.

The business continues to innovate, focusing on extending beyond energy supply and into energy solutions such as energy optimisation, electric vehicle tariffs and corporate Power Purchase Agreements ("PPAs").

SSE Business Energy is continuing to invest in new and improved data and technology systems, with a focus on quality of service and improving outcomes for customers. The business retains a solid book and customer base. It is also responding to regulatory requirements to install smart meters and deliver faster customer switching in order to better serve customers in the future.

It has also been agreed that SSE Business Energy and SSE Enterprise (see below) will move towards a shared brand so that all of the services provided by the SSE Group to business, public sector and third sector customers in GB are branded SSE Energy Solutions. This is designed to enhance engagement with customers and SSE's profile in its chosen markets.

SSE Airtricity

SSE Airtricity retains a strong market position as Ireland's largest supplier of 100 per cent. green energy, supplying over 700,000 customers across the island of Ireland with a 24 per cent. market share.

Eighteen months into the establishment of ISEM, the Irish sector remains strong but increasingly competitive, with a number of new entrants to the domestic market. Favourable Irish government policy has resulted in

continued growth in demand for non-domestic customers such as data centres, with whom Airtricity continues to successfully partner.

With its heritage in green energy supply, Airtricity has taken a strong leadership position on the sustainability agenda through innovative partnerships such as the ‘Solar for Schools’ project and the retrofitting of Laura Lynn children’s hospice in partnership with Microsoft. The continued success and strength of the ‘This is Generation Green’ marketing campaign highlights some of the valuable contributions Airtricity has made to Irish communities.

Airtricity continues to expand its Energy Services business to offer a diverse portfolio of green products and services, leading the way in terms of delivering solutions and helping customers on their path to net zero.

The ongoing delivery of a high standard of customer service remains a key business priority and continues to be recognised by external stakeholders, with Airtricity having recently won the Bonkers.ie Award for Best Customer Service, for the fourth consecutive year.

Energy Portfolio Management

Energy Portfolio Management provides route to market services for SSE’s market-based businesses, namely SSE Renewables, SSE Thermal, SSE Business Energy, Airtricity, Gas Production, Gas Storage and SSE Enterprise. Each of these businesses is responsible for its own hedging strategy and pays EPM a service fee to manage the implementation of hedging and delivery of energy on its behalf.

SSE trades principal commodities, as well as the spreads between two or more commodity prices (e.g. spark spreads, power (baseload and other products), gas, carbon (emissions allowances), and oil). Each commodity has different liquidity characteristics, which impacts on the quantum of hedging possible.

SSE first set out a new approach to the management of its energy portfolio in November 2018, and subsequently published ‘SSE’s Approach to Hedging: May 2019 Update’. FY 2019/20 largely draws a line under the issues relating to the closing out of SSE’s short gas position in 2018, and EPM is expected to earn a small adjusted operating profit from 2020/21 onwards.

Gas Production

SSE has a diverse equity share in over 15 producing fields across 25 licences in three regions of the UK Continental Shelf: the Easington Catchment Area, the Bacton Area and Greater Laggan Area.

Investment in gas production assets is however no longer consistent with SSE’s strategy and focus on decarbonisation, and these assets are accounted for as held for sale. SSE continues to pursue the sale of these assets, but will only complete this transaction if it is believed to be the right outcome for shareholders.

SSE Enterprise

The key role of SSE Enterprise within the SSE Group is to seek out new opportunities in areas that complement the Group’s core energy portfolio, with a focus on distributed energy. In addition, it has a 50 per cent. share in a telecoms business with a 50 per cent. partner, Infracapital. SSE Enterprise also continues to undertake Mechanical and Engineering work in its Contracting and Rail business.

SSE Enterprise’s distributed energy business continues to develop in core markets as well as seeking opportunities to meet the evolving needs of its customers, including services in heat networks and EV infrastructure. For example, after securing an Independent Distribution Network Operators (“IDNO”) licence from Ofgem, it can now provide electricity infrastructure for embedded local networks.

A further example of innovation is a new partnership combining SSE Enterprise’s EV infrastructure expertise with access to hundreds of lock up garage sites across London that are managed by InfraTech Property Solutions (“IPS”). These garage sites will be transformed into smart charging sites, known as Digital Community Hubs

("DCHs"), which combine rapid charging with 5G and Edge computing technology – there is a plan for a pilot project near Heathrow Airport later in 2020.

In order to enhance its smart city offering SSE Enterprise has also signed a landmark deal with Smarter Grid Solutions to develop an 'energy as a service' platform in order to unify its capabilities in distributed energy generation, EV infrastructure, private electricity networks and heat networks. An example of this innovation in action is SSE Enterprise's participation in the Peterborough Integrated Renewables Infrastructure project ("PIRI"). Led by Peterborough Council, this scheme will bring green energy and transport for residents as part of the largest smart city-wide energy system in the UK.

SSE Enterprise Telecoms continues to deliver strong sales growth across its target sectors. This includes helping to enable the UK's 5G roll out, securing a third substantial contract with Three UK, and helping to connect 250 towns and cities across the UK with fast 5G in the process. It has also successfully won its first metro-cities contract to deploy a new high capacity fibre network, enabling high-speed connections for Aberdeenshire Council and for businesses in order to boost the local economy.

SSE Enterprise's Contracting division secured significant LED replacement projects with Leeds City Council, Swindon Borough Council, Camden Council and Wirral Council. These contracts will see around 185,000 units replaced over the next four years. Likewise, the Rail division continues to deliver work via the Control Period 6 programme, and it has won new clients like LNER.

It has also been agreed that SSE Enterprise and SSE Business Energy (see above) will move towards a shared brand so that all of the services provided by the SSE Group to business, public sector and third sector customers in GB are branded SSE Energy Solutions. This is designed to enhance engagement with customers and SSE's profile in its chosen markets.

Borrowing and Facilities

SSE'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 £11.5 billion as at 31 May 2020. Its average debt maturity as at 31 May 2020 was 6.5 years, compared with 6.5 years at 31 March 2020 (7.0 years as at 31 March 2019). Average cost of debt as at 31 May 2020 was 3.48 per cent. compared with 3.51 per cent. as at 31 March 2020 (3.70 per cent. as at 31 March 2019). As at 31 May 2020, fixed rate debt was 98 per cent.

SSE's debt structure remains strong, adjusted net debt and hybrid capital¹ was £10.7 billion as at 31 May 2020 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 £799.1 million. The facilities, external debt and internal loan stocks for the SSE Group as at 31 May 2020 (with sterling equivalents (where applicable) as at that date) were as follows:

SSE	<ul style="list-style-type: none">• U.S.\$575 million (£366.8 million) U.S. private placement due between 2022 and 2024• £501.1 million U.S. private placement due between 2023 and 2027• £300 million 4.25 per cent. bonds due 2021• £300 million 5.875 per cent. bonds due 2022• £500 million 8.375 per cent. bonds due 2028
-----	--

¹ 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.

- £350 million 6.25 per cent. bonds due 2038
- €600 million 2.00 per cent. bonds due 2020 (£550.0 million of principal outstanding)
- €500 million 2.375 per cent. bonds due 2022 (£415.0 million of principal outstanding)
- £1.3 billion revolving credit facility maturing 2025 (fully undrawn)
- €1.5 billion Euro Commercial Paper programme (£580.8 million drawn)
- £200 million revolving credit facility maturing 2024 (fully undrawn)
- £25 million revolving credit facility maturing November 2020 (£25m drawn)
- £100 million European Investment Bank loan due 2028
- €700 million 1.75 per cent. bonds due 2023 (£514.6 million of principal outstanding)
- €600 million 0.875 per cent. bonds due 2025 (£540.6 million of principal outstanding)
- €650 million 1.375 per cent. bonds due 2027 (£591.4 million of principal outstanding)
- €600 million 1.25 per cent. bonds due 2025 (£531.4 million of principal outstanding)
- €500 million 1.75 per cent. bonds due 2030 (£442.9 million of principal outstanding)
- £100 million European Investment Bank loan due 2020
- £300 million European Investment Bank loan due 2021
- €200 million (£174.9 million) Floating Rate Note due 2020
- £1,500 million intercompany loan stock due to SSE
- £146.5 million 1.429 per cent. index linked bonds due 2056
- £550 million intercompany loan stock due to SSE
- £350 million 5.5 per cent. bonds due 2032
- £325 million 4.625 per cent. bonds due 2037
- £135.7 million 4.454 per cent. index linked loan maturing 2044
- £800 million intercompany loan stock due to SSE
- £350 million 2.25 per cent. bonds due 2035
- £963.1 million intercompany loan stock due to SSE
- £150 million European Investment Bank loan due 2021
- £150 million European Investment Bank loan due 2022
- £50 million European Investment Bank loan due 2023
- £300 million European Investment Bank Loan due 2026

SSE Generation Limited

SHEPD

SEPD

SHE Transmission plc

- £100 million European Investment Bank Loan due 2028
 - €74.8 million (£67.4 million) intercompany loan stock due to SSE
- SSE Generation Ireland Limited

Hybrid Capital

Hybrid Equity

On 10 March 2015, SSE issued £750 million and €600 million hybrid capital bonds (the “**Sterling 2015 Hybrid Bonds**” and the “**Euro 2015 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) 10 September 2020 or every five years thereafter for the Sterling 2015 Hybrid Bonds; and (ii) 1 April 2021 or every five years thereafter for the Euro 2015 Hybrid Bonds. 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.

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 previous hybrid issues which have no fixed redemption date and are accounted for as Equity.

The total hybrid capital for the SSE Group as at 31 May 2020 (with sterling equivalents (where applicable) as at that date) totalled £2.2 billion and was as follows:

- | | |
|-----|--|
| SSE | <ul style="list-style-type: none"> • £750 million Hybrid Equity Capital Bond – perpetual with first call date 10 September 2020 • €600 million (£440.5 million) Hybrid Equity Capital Bond – perpetual with first call date 1 April 2021 • \$900 million (£758.5 million) Hybrid Debt Capital Bond – maturing 16 September 2077 with first call date 16 September 2022 • £300 million Hybrid Debt Capital Bond – maturing 16 September 2077 with first call date 16 September 2022 |
|-----|--|

Investment and capital expenditure

During the year to 31 March 2020, SSE’s investment and capital expenditure (excluding SSE Energy Services and Gas Production) totalled £1,357.4 million, including £1,036.6 million (or 76 per cent.) invested in the core businesses of SSEN Transmission, SSEN Distribution and SSE Renewables.

Total investment and capital expenditure in the year included the following:

- SSEN Transmission investment and capital expenditure of £329.0 million included work on the 275kV line between Knocknagael and a new substation at Tomatin, work on the 275kv line between Inveraray and Crossaig plus the construction of new substations at Fort Augustus, Rothienorman and New Deer, to enable renewable energy projects to connect to the network.
- SSEN Distribution investment and capital expenditure of £364.9 million consisted primarily of asset replacement and reinforcement projects, including the replacement of subsea cables and several overhead line circuits.

- SSE Renewables investment in renewable energy in GB and Ireland totalled £342.7 million and included spend on Seagreen (£166 million) and Dogger Bank (£58 million), along with spend on Beatrice, Gordonbush extension, the Viking Wind Farm and upgrades to hydro-electric schemes.
- SSE's flexible thermal gas-fired power stations will play a key part in the transition to a low-carbon economy and investment in thermal generation totalled £177.0 million (13 per cent. of the SSE Group's total investment and capital expenditure) in the year, including the Keadby 2 and Ferrybridge Multifuel 2 projects, along with development spend on the Slough Multifuel project.
- In addition, £57.4 million was invested in SSE Enterprise, predominantly in Telecoms, and £79 million in SSE Group services, which was mainly on shared IT to support the work of business units.

SSE is aiming to have a similar level of investment and capital expenditure in the 2020/2021 financial year with its focus being on core strategic projects including the transition to net zero, contributions to the wider green economic recovery, helping achieve SSE's 2030 goals on renewable energy and electrification and the earning of sustainable returns in the years ahead. SSE is targeting investment of up to £7.5 billion between now and the 2024/2025 financial year.

Sustainability and Climate Change

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

The four new 2030 Goals, aligned to the UN's SDGs, underpin SSE's strategic focus on long-term, low-carbon and sustainable assets and they commit SSE to delivering its strategy in a way that creates value for shareholders and for society.

SSE's strategic focus on core businesses that support and enable the transition to a low-carbon electricity system provided an important opportunity to ensure SSE's drive to be a sustainable business is not in addition to its core strategy, but central to it.

Following a year of consultation with employees and key external stakeholders, it was decided to align SSE's sustainability framework with the UN's SDGs. Employees considered it important that SSE places itself within the context of a greater global effort, particularly in the fight against climate change. External stakeholders were particularly keen to encourage visibility of progress against set targets and to ensure clear accountability for meeting them.

SSE identified four SDGs which are highly material to its business: SDG 13 Climate Action; SDG 7 Affordable and Clean Energy; SDG 9 Industry, Innovation and Infrastructure; and SDG 8 Decent Work and Economic Growth. In March 2019, it set ambitious business goals for 2030 that aligned to each of the most material SDGs and most importantly are central and core to SSE's business purpose and strategy:

- reduce the carbon intensity of electricity generated by 50 per cent. by 2030, compared to 2018 levels, to around 150gCO₂e/kWh. The carbon intensity of electricity generated by SSE increased marginally between 2018/19 and 2019/20, from 284gCO₂e/kWh to 288gCO₂e/kWh. The closure of its last remaining coal plant in March 2020 and significant development of its renewables pipeline mean that SSE has made

very good progress in achieving its long term objective of permanent carbon reduction from the production of electricity generated. In line with this progress, SSE increased its carbon intensity reduction target from 50 per cent. by 2030 to 60 per cent. as part of setting its science-based target;

- develop and build by 2030 enough renewable energy to treble renewable output to 30TWh a year. 2019/20 represented SSE's highest ever year of electricity generation from renewable sources, with 11.4TWh of output compared to 10.4TWh in 2018/19 (including 0.7TWh constrained off wind in GB). Important progress was made to achieve 30TWh of renewable energy output by 2030 with success in the 2019 Contracts for Difference auctions and the investment decision to progress SSE's first subsidy-free onshore wind farm, Gordonbush Extension;
- build electricity network flexibility and infrastructure that helps accommodate 10 million electric vehicles in GB by 2030. SSEN Distribution is working at pace to pilot and trial electricity network flexibility that will enable local grids to accommodate, at scale, the electrification of cars. SSEN's Project LEO and a partnership between government and network owners in Scotland represent two of the most significant projects in the UK that will help accelerate transport electrification. To support EV manufacturers, SSE joined the global EV100 initiative, committing to switch 3,500 of its vehicles to electric; and
- be the leading company in the UK and Ireland championing Fair Tax and a real Living Wage. SSE continues to promote fair tax and a Living Wage as the core of its ability to share economic value with society. In 2019/20, SSE achieved ongoing accreditation from both the Fair Tax Mark and the Living Wage, and continues to support both campaigns to attract more companies to become accredited. Furthermore, SSE continued its support of the new Living Hours initiative, which is designed to address negative impacts associated with exploitative zero-hour contracts.

As well as integrating the UN's SDGs into its business strategy and operations, SSE follows a number of other external best practice frameworks and benchmarks. It also actively seeks to improve its performance against environmental, social and governance (ESG) 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 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

SSE delivers energy safely to homes and businesses in Great Britain 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. SSE also has a one third stake in the gas distribution company, SGN. 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 SHE Transmission plc ("**SHE Transmission**").

SHE 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. SHE Transmission is regulated by the Authority. Under the licence, where it is reasonable to do so, SHE 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. SHE 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.

SHE 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. A consultation on the need to initiate a mid-period review of RIIO-T1 was conducted from November 2015 to January 2016. OFGEM issued its final decision in May 2016 that a mid-period review of RIIO-T1 for SHE Transmission was not required.

Since the start of the eight-year RIIO-T1 Price Control in 2013, capital investment in SHE Transmission has totalled around £2.8 billion, with this investment playing a pivotal role in providing the critical national infrastructure required to facilitate the transition to a decarbonised energy system. In addition to the base rate of return on the RAV of SHE 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. SHE Transmission expects it will deliver Totex savings over the course of RIIO-T1 which will be shared equally between SHE 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, SHE Transmission continues to ensure the impressive 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 SHE Transmission is 120MW. If the target is exceeded, a financial penalty is applied. SHE 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, SHE 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, SHE Transmission successfully energised the Caithness-Moray subsea transmission link, which remains the largest single investment ever undertaken by the SSE Group. SHE Transmission's efficient delivery of the Caithness-Moray link will result in efficiency savings through the Totex mechanism, supporting future earnings.

During 2019, SHE Transmission continued its exceptional 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. Over the course of 2019, SHE Transmission increased the renewables capacity supported by its network by energising over 192MW, and during 2020 it is forecasting to connect 261.8MW, all of which will be renewable. This means the installed renewable electricity generation capacity connected to SHE's transmission network has grown from 3.3GW at the start of the RIIO-ET1 price control in April 2013 to over 6GW and is forecast to grow to over 6.8GW by the end of the current price control period in 2021. SHE

Transmission will continue to work collaboratively with its connection customers to deliver timely and efficient connections to its network.

In the remaining years of the RIIO-T1 Price Control, SHE Transmission has a healthy pipeline of transmission projects. With a total planned investment of over £600 million, the transmission business remains on track to increase its RAV to around £3.6 billion by 2021.

SHE 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. Ofgem has now reached a minded-to decision to support SHE Transmission's proposed £630 million/600MW HVDC subsea link to Shetland and has consulted on this. Its decision is expected in early summer 2020. The remaining two links could provide an additional investment opportunity of around £0.9 billion for SHE Transmission. Both Orkney and Western Isles projects have been developed to an advanced stage and SHE Transmission now awaits to see any additional developer commitment, the outcome of the potential 2021 Contract for Difference Allocation Round 4 or a change in the regulatory position.

SHE 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.

SHE 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. SHE 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 SHE 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.

RIIO2

In July 2017, Ofgem published an open letter on the RIIO-2 Framework, initiating the next price control review. SHE 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.

SHE Transmission remains concerned that Ofgem has failed to give appropriate weight to benefits delivered to customers and stakeholders during RIIO-1 and has instead proposed a RIIO-2 framework which blunts existing efficiency incentives in a desire to secure a predictable outcome. In its response to the consultation, SHE Transmission set out a number of areas in the regulatory mechanisms of RIIO-1 which have delivered material stakeholder benefits, encouraging Ofgem to ensure these remain in place. These mechanisms are:

- an output incentive package large enough to allow a high performing network to reach the upper return range;
- a strong Totex incentive, to ensure networks continue to drive efficiency;

- a strong and equitable business plan incentive that allows networks to reveal potential in the knowledge that they will share in the benefits;
- an innovation stimulus which supports solutions to current as well as future network challenges; and
- a fair financial package for investors that recognises current and future risk.

SHE 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.

In June 2019 SHE Transmission published its draft Business Plan for the RIIO T2 Price Control, ‘A Network for Net Zero’. SHE 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 SHE 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 the north east, 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, SHE 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.

This could see the RAV of SHE Transmission increase to over £5 billion by the end of RIIO-T2 in 2026, excluding any contribution from island links. 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, SHE Transmission estimates its average cost to the Great Britain consumer over the RIIO-T2 period will be around £7 a year. As part of OFGEM’s consideration of the final plan, the regulator will consult with stakeholders during 2020 before determining what level of investment should be taken forward from 2021 through to 2026. Ofgem has affirmed that implementation of RIIO-T2 on time in April 2021 remains a priority during the coronavirus pandemic.

SHE 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 (“**SSEPD**”).

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 to minimise operating, capital and financing costs. 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.

In March 2015 BGT lodged an appeal with the CMA on the RIIO-ED1 final determination that could have affected the five distribution network operator groups, including SSEPD. The decision did not materially reduce the forecast RIIO-ED1 return, nor as a consequence did it reduce the return below the target set by SSEPD and on which the price control settlements were accepted. Whilst the impact of the appeal on SSEPD was largely benign, the raising of the appeal has influenced the regulatory landscape and the way that future price controls will be set.

The RIIO-ED1 licence provided for a mid-period review of the price control settlement. The narrow focus of the review was limited to material changes in outputs resulting from changes in government policy or new outputs required to meet the needs of consumers. Identification of such output changes could lead to equivalent amended allowances. In 2017, OFGEM sought stakeholder views on potential output changes but also examined whether it was appropriate to consider price control topics out with the original scope; it categorised these as a discrete extension (rail electrification) and significant extension (financial and incentive performance and design) of the mid-period review. In April 2018, OFGEM concluded that a RIIO-ED1 mid-period review was not required and that it was not appropriate to widen the scope to address other issues.

The second RIIO price control for distribution (RIIO-ED2) starts on 1 April 2023. OFGEM initiated the 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 delivering enhanced stakeholder engagement, greater efficiency savings and value for money for customers, particularly those in vulnerable situations. OFGEM's intention is to provide a framework that facilitates delivery of Government's Net Zero Carbon Emission targets through connection of Electric Vehicles and other Low Carbon Technologies. OFGEM has stated that the ED2 price control will be tough but fair and that companies should expect lower returns. The SSEN distribution companies will submit their initial business plans to OFGEM and the Challenge Group in May 2021. The final business plan will be submitted in December 2021, following feedback from OFGEM and the Challenge Group.

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 SSE 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, confirmed by OFGEM's final decision notice of 7 November 2016, 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 SSE 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.

Gas distribution

Scotland Gas Networks plc and Southern Gas Networks plc are regulated by the Authority. The principal objective of the Authority, as set out under the Gas Act 1989, as amended by the Utilities Act 2000 and the Energy Acts 2004, 2008 and 2010 (the “**Gas Act**”), is to protect the interests of existing and future consumers in relation to gas conveyed through pipes; wherever appropriate by promoting effective competition. OFGEM provides the staff who support the role of the Authority and carry out the day to day activities of the statutory body. The duties of the Authority are described above.

The general duties of a gas transportation licence holder under the Gas Act are to develop and maintain an efficient and economical pipeline system for the conveyance of gas; so far as it is economical to do so, comply with any reasonable request for a connection to the system; facilitate competition in the supply of gas; and avoid any undue preference or undue discrimination in the provision of connections and in the conveyance of gas. The licence of each network may be terminated on 10 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.

Each network is subject to control on the prices it can charge and the quality of service it must provide. The operations of each network are regulated under its gas transportation licences pursuant to which income generated is subject to a regulatory framework that provides economic incentives to minimise operating, capital and financing costs. The current gas distribution price control commenced on 1 April 2013 and covers the eight year period until 31 March 2021. A consultation on the need to initiate a mid-period review of RIIO-GD1 was conducted from November 2015 to January 2016. OFGEM issued its final decision in May 2016 and confirmed its initial view that a mid-period review of RIIO-GD1 was not required.

With two years left of the current eight-year price control (RIIO-GD1), SGN remains committed to meeting all OFGEM outputs as well as ensuring it maximises its regulatory incentives. Consultation is now on developing its business plan for the next five-year price control (RIIO-GD2), which will take effect from April 2021.

Electricity Generation

SSE’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 SSE’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.

In the most recent auction (Contracts for Difference Allocation Round 3), two of SSE’s offshore wind farm projects were awarded contracts for over 4GW (SSE share 2.2GW):

- Dogger Bank (50 per cent. owned by SSE Renewables) secured CfDs for a total of 1,200MW at a strike price of £39.65/MWh (in 2012 prices) for delivery in 2023/2024 and a further 2,400MW at a strike price of £41.61/MWh (in 2012 prices) for delivery in 2024/2025; and

- Seagreen (49 per cent. owned by SSE Renewables) secured a CfD for 454MW at a strike price of £41.61/MWh (in 2012 prices) for delivery in 2024/2025.

In December 2014, SSE secured capacity agreements to provide a total of 4,409MW of de-rated electricity generation from October 2018 to September 2019 at a price of £19.40/kW as a result of the first Capacity Market Auction process. In the second auction (for capacity delivery from October 2019 to September 2020), SSE secured agreements to provide a total of 3,150MW of de-rated electricity generation capacity at a price of £18/kW. In the auction held in December 2016 (for capacity delivery from October 2020 to September 2021), SSE secured agreements to provide a total of 3,239MW of de-rated electricity generation capacity at a price of £22.50/kW. In August 2019 SSE signed an agreement with RWE transferring additional capacity contracts to SSE: 1,051MW (for delivery from October 2019 to September 2020) and 1,062MW (for delivery from October 2020 to September 2021).

On 31 March 2019, the UK Capacity Market scheme was suspended following legal challenge as to whether payments made to electricity generation companies constituted state aid. From the same date, the SSE Group considered that the Capacity Market scheme would be reinstated and continued to accrue the costs of the scheme through its UK electricity supply businesses, while income due from the scheme through the Group's UK electricity generation businesses was only recognised to the extent received prior to the standstill. On 24 October 2019, the European Commission announced their approval of the UK Capacity Market scheme, which resulted in the resumption of capacity payments in respect of agreements that existed in November 2018. In the financial year ended 31 March 2020, the Group recognised income received in the year, including the payment of suspended payments relating to the prior year.

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 SSE'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. SSE's carbon emissions data is externally verified by a UK accreditation service.

Electricity and Gas Supply

SSE'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 SSE'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.

The CMA's Final Orders, published in December 2016, sought to address a perceived problem of weak customer response and the CMA's conclusion that the customer detriment due to shortcomings in competition in retail energy is a headline figure of £1.4 billion/year. Technically, this is a measure of the gains from switching and SSE argued strongly in its submissions that the CMA is wrong to consider this a measure of detriment.

A significant level of resource and investment has been deployed in order to implement the CMA's remedies within the directed timeframes and to customers' satisfaction. Furthermore, 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 e.g. the smart meter roll out; the faster switching programme which aims to reduce significantly the time it takes customers to switch supplier and make the process more reliable; and the electricity settlement reform which aims to provide suppliers with the true cost of supply for their customers by moving towards market-wide half hourly settlement.

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. The key challenge, however, is around driving customer demand for smart meters. SSE has a comprehensive campaign team covering campaign materials, customer touchpoints, delivery incentives and services support for installed meters and will be working with Smart Energy GB to raise awareness and interest in smart meters more generally.

Throughout 2020/21, SSE will look to seize the opportunities presented by smart meters by harnessing smart data to engage and empower customers while also launching new, smart-enabled services and propositions. However, the smart meter programme is currently suspended due to coronavirus guidance and easement by Ofgem.

Supplier failures

The energy supply market is currently seeing unprecedented levels of supplier failure, which 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 are not insignificant, and combined with the increased 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.

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 (PCWs) 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 MBCs. 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. Its review will focus on identifying short and medium term actions within the existing market structure and regulatory framework. Following analysis of the call for evidence responses Ofgem was due to present its updated position and next steps in early 2020 but has delayed this publication as a consequence of the pandemic.

Future energy market review

The UK Government and OFGEM are of the view that the energy retail market framework, with the one-size-fits-all licence, is not agile and risks holding back the energy transition. In November 2018 they launched a joint review to investigate the policy, legal and regulatory changes that might be needed to ensure the market framework is fit for purpose. This review will join up with the Government and OFGEM's existing work, including the Microbusiness Strategic Review.

The review considers: how the regulatory framework could be changed to facilitate the launch of products and services which support decarbonisation, but may be frustrated by the current framework; how to better align/reform policy and other regulatory obligations to improve competition; and how the retail market can deliver a good deal for all consumers.

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The estimated net proceeds of the issue of the Tranche A Securities, after deduction of commissions, fees, and estimated expenses, will be €498,500,000 and the estimated net proceeds will be used for general corporate purposes.

The estimated net proceeds of the issue of the Tranche B Securities, after deduction of commissions, fees, and estimated expenses, will be £597,972,000 and the estimated net proceeds will be used for general corporate purposes.

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 United Kingdom tax law as applied in England and Wales, and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs), and 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 of the UK Listing Authority 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 United Kingdom income tax.

In all other cases, an amount must generally be withheld on account of United Kingdom 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 United Kingdom tax from payments of interest on the Securities then such Issuer will, subject to the provisions of Condition 12 (*Taxation*) of the relevant 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 relevant 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 United Kingdom 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 United Kingdom’s position has been that it will not be a participating Member State and, now that the United Kingdom has left the European Union as a result of Brexit, it is no longer a Member State.

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

SUBSCRIPTION AND SALE

Barclays Bank PLC (“**Barclays**”) and NatWest Markets Plc (together with Barclays, the “**Joint Structuring Advisors**” and “**Joint Global Co-ordinators**”), Banco Santander, S.A., BNP Paribas, Merrill Lynch International, Morgan Stanley & Co. International plc and MUFG Securities EMEA plc (together with the Joint Structuring Advisors and Joint Global Co-ordinators, the “**Joint Bookrunners**”) and Bank of China Limited, London Branch (as Co-Lead Manager and, together with the Joint Bookrunners, the “**Managers**”) have, pursuant to a Subscription Agreement dated 10 July 2020, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Tranche A Securities at 100 per cent. of their principal amount and the Tranche B Securities at 99.962 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 U.S. 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 U.S. 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 relevant 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 U.S. Securities Act.

United Kingdom

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 Financial Services and Markets Act 2000 (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 United Kingdom.

Prohibition of Sales to EEA and United Kingdom 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 European Economic Area or the United Kingdom. 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 (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (a) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

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, a 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, of Japan or to, or for the benefit of, any resident in 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 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 Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 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 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 Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the

“**Banking Act**”) and the CONSOB Regulation No. 16190 of 29 October 2007, 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(WUMPO)**”) or which do not constitute an offer to the public within the meaning of the C(WUMPO); 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 the 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, the 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 Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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, regulations and directives 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 14 July 2020, subject only to the issue of the relevant Temporary Global Securities.
2. The issue of the Securities was authorised by resolutions of the Audit Committee of the Board of Directors passed on 15 June 2020. 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 1738 456000.
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 pp.83-84 of this Prospectus, “*Risk Factors-Coronavirus*” on p.7-8 of this Prospectus, “*Risk Factors-Energy Affordability*” on p.9 of this Prospectus, “*Risk Factors-Environment*” on p.12 of this Prospectus and “*Risk Factors-People and Culture*” on p.13 of this Prospectus and, in particular the impact that the coronavirus pandemic may have had on the levels of bad debt among customers and the demand for electricity and related services which cannot be reliably estimated at this time, there has been no significant change in the financial position or financial performance of the SSE Group since 31 March 2020 (the end of the last financial period for which financial information has been published by the Issuer).
5. 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 pp.83-84 of this Prospectus, “*Risk Factors-Coronavirus*” on p.7-8 of this Prospectus, “*Risk Factors-Energy Affordability*” on p.9 of this Prospectus, “*Risk Factors-Environment*” on p.12 of this Prospectus and “*Risk Factors-People and Culture*” on p.13 of this Prospectus and, in particular the impact that the coronavirus pandemic may have had on the levels of bad debt among customers and the demand for electricity and related services which cannot be reliably estimated at this time, there has been no material adverse change in the prospects of the Issuer since 31 March 2020 (the date of the Issuer's last published audited financial statements).
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 Tranche A Securities, the International Securities Identification Number (“**ISIN**”) is XS2195190520 and the Common Code is 219519052. In respect of the Tranche B Securities, the ISIN is XS2195190876 and the Common Code is 219519087.

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 annual report and audited consolidated financial statements of the Issuer for the financial years ended 31 March 2019 and 31 March 2020, respectively;
 - (c) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and
 - (d) the Trust Deeds dated the Issue Date between the Issuer and the Trustee relating to each Tranche and the Paying Agency Agreements dated the Issue Date between the Issuer, the Trustee and the agents named therein relating to each Tranche.

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 year ended 31 March 2020. Ernst & Young LLP issued an unqualified audit report on the consolidated financial statements of the Issuer for the financial year ended 31 March 2020. 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.

The auditor of the Issuer for the financial year ended 31 March 2019 was KPMG Audit Plc. KPMG Audit Plc, Chartered Accountants (regulated by the Institute of Chartered Accountants of England and Wales) issued an unqualified audit report on the consolidated financial statements of the Issuer for the financial year ended 31 March 2019.
13. For the period from (and including) the relevant Issue Date to (but excluding) the relevant First Reset Date, the yield on the Tranche A Securities will be 3.125 per cent. per annum and the yield on the Tranche B Securities will be 3.750 per cent. per annum. Each such yield is calculated at the Issue Date on the basis of the relevant 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 £6,515.
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 relevant Securities.

REGISTERED OFFICE OF THE ISSUER

SSE plc
Inveralmond House
200 Dunkeld Road
Perth PH1 3AQ
United Kingdom

JOINT STRUCTURING ADVISORS, JOINT GLOBAL CO-ORDINATORS AND JOINT BOOKRUNNERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA
United Kingdom

JOINT BOOKRUNNERS

Banco Santander, S.A.
Ciudad Grupo Santander
Edificio Encinar
Avenida de Cantabria s/n
28660 Boadilla del Monte
Madrid, Spain

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

MUFG Securities EMEA plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

CO-LEAD MANAGER

Bank of China Limited, London Branch
1 Lothbury
London EC2R 7DB
United Kingdom

AUDITORS OF THE ISSUER

Ernst & Young LLP
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

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISERS

To the Issuer as to English law

**Freshfields Bruckhaus Deringer
LLP**
65 Fleet Street
London EC4Y 1HS
United Kingdom

To the Issuer as to Scottish law

CMS Cameron McKenna LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN
United Kingdom

*To the Managers and the Trustee as
to English law*

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom