PROSPECTUS

SSE plc

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

Scottish Hydro Electric Power Distribution plc

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

Scottish Hydro Electric Transmission plc

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

Southern Electric Power Distribution plc

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

€10,000,000,000
Euro Medium Term Note Programme

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

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

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

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

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

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

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

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

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

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

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

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

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

This Prospectus will be valid as a base prospectus under the UK Prospectus Regulation for 12 months from 24 August 2023. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply following the expiry of that period.

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

Arranger for the Programme

NatWest Markets

Dealers

Barclays
BBVA
BNP PARIBAS
BofA Securities
Lloyds Bank Corporate Markets
MUFG
Morgan Stanley
NatWest Markets
RBC Capital Markets
Santander Corporate & Investment Banking

24 August 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Second Party Opinions and External Verification

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

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

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

(i) *have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;*

(ii) *have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;*

(iii) *have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;*

(iv) *understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets;*

(v) *be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and*

(vi) *understand the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Notes.*

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

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

*Certain alternative performance measures ("**APMs**") as described in the European Securities and Markets Authority Guidelines on Alternative Performance Measures (the "**ESMA Guidelines**") published on 5 October 2015 by the European Securities and Markets Authority and which came into force on 3 July 2016 are included or referred to in this Prospectus. APMs are not defined in accordance with IFRS accounting standards and are/non-GAAP measures used by the SSE Group within its financial publications to supplement disclosures prepared in accordance with other regulations. The SSE Group considers that these measures provide useful information to enhance the understanding of financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. An explanation of each such APM's components and calculation method can be found at pages 194 to 201 (incorporated by reference herein) of SSE's 2023 Annual Report and at pages 203 to 211 (incorporated by reference herein) of SSE's 2022 Annual Report.*

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

Singapore Securities and Futures Act Product Classification *– In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), unless otherwise specified before an offer of Notes, each Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

TABLE OF CONTENTS

Page

DOCUMENTS INCORPORATED BY REFERENCE

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

(i) the audited consolidated financial statements of SSE for the financial years ended 31 March 2022, together with the independent audit report thereon and discussion around alternative performance measures (included on pages 214 to 289 and pages 336 to 346 and 203 to 211 respectively of the 2022 Annual Report of SSE) (https://www.sse.com/media/blhnuywb/sse-full-annual-report.pdf) and 31 March 2023 (included on pages 203 to 275 and pages 326 to 336 and 194 to 201 respectively of the 2023 Annual Report of SSE) (https://www.sse.com/media/pf3fsfak/sse-plc-annual-report.pdf), respectively;

(ii) the audited financial statements of SHEPD for the financial years ended 31 March 2022 (included on pages 23 to 52 of the 2022 Statutory Accounts of SHEPD) (https://www.ssen.co.uk/about-ssen/library/financial-information-document-library/) and 31 March 2023 (included on pages 25 to 55 of the 2023 Statutory Accounts of SHEPD) (https://www.ssen.co.uk/about-ssen/library/financial-information-document-library/), respectively;

(iii) the audited financial statements of SSEN Transmission for the financial years ended 31 March 2022 (included on pages 24to 53 of the 2022 Statutory Accounts) (https://www.ssen-transmission.co.uk/information-centre/financial-information/) and 31 March 2023 (included on pages 24 to 54 of the 2023 Statutory Accounts of SSEN Transmission) (https://www.ssen-transmission.co.uk/information-centre/financial-information/), respectively;

(iv) the audited financial statements of SEPD for the financial years ended 31 March 2022 (included on pages 23 to 52 of the 2022 Statutory Accounts of SEPD) (https://www.ssen.co.uk/about-ssen/library/financial-information-document-library/) and 31 March 2023 (included on pages 25 to 55 of the 2023 Statutory Accounts of SEPD) (https://www.ssen.co.uk/about-ssen/library/financial-information-document-library/) and, respectively, together, in each case, with the audit report thereon;

(v) the section entitled "Terms and Conditions of the Notes" on pages 19 to 47 of the Prospectus dated 13 June 2008 relating to the Programme;

(vi) the section entitled "Terms and Conditions of the Notes" on pages 23 to 61 of the Prospectus dated 23 July 2015 relating to the Programme;

(vii) the section entitled "Terms and Conditions of the Notes" on pages 26 to 65 of the Prospectus dated 25 August 2017 relating to the Programme;

(viii) the section entitled "Terms and Conditions of the Notes" on pages 32 to 74 of the Prospectus dated 23 August 2018 relating to the Programme;

(ix) the section entitled "Terms and Conditions of the Notes" on pages 29 to 71 of the Prospectus dated 18 September 2019 relating to the Programme;

(x) the section entitled "Terms and Conditions of the Notes" on pages 32 to 77 of the Prospectus dated 16 March 2021 relating to the Programme; and

(xi) the section entitled "Terms and Conditions of the Notes" on pages 34 to 83 of the Prospectus dated 17 March 2022 relating to the Programme,

together, the "**Documents Incorporated by Reference**").

The Documents Incorporated by Reference have been previously published or are published simultaneously with this Prospectus and have been approved by the Financial Conduct Authority. The Documents Incorporated by Reference shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this

Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any documents themselves incorporated by reference in the Documents Incorporated by Reference in this Prospectus shall not form part of this Prospectus. Where only certain parts of the documents referred to above are incorporated by reference in this Prospectus, the parts of the document which are not incorporated by reference are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus.

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

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

SUPPLEMENTARY PROSPECTUS

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

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

RISK FACTORS

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

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

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

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

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

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

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

Commodity Price Risk, Energy Procurement Risk and Security of Supply

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

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

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

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

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

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

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

Energy Affordability

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

Material influencing factors in respect of this risk include macro-economic impacts on household and business incomes, fluctuations in the cost of fuels, supplier and customer failures and related bad debt, and political interventions like renationalisation of any part of the UK's energy infrastructure.

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

Recently, high energy prices, market volatility and a number of retail energy suppliers entering into insolvency processes (with a number being liquidated) have resulted in a significant increase in the collateral requirements required to allow EPM to continue to trade with counterparties and on exchanges as required. At the same time the SSE Group's distribution business has been a facilitator in the Supplier of Last Resort process which recovers socialised costs of supplier failure from energy bill failures. At the date of this Prospectus, energy prices have returned to more normal levels, meaning that significant collateral requirements posted by the SSE Group when energy prices were at their peak have also reduced back to normal levels, but there can be no assurance that collateral requirements will not increase further, requiring use of available cash or drawings under committed facilities.

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

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

Energy Infrastructure Failure

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

Potential factors that could influence the risk to the SSE Group-owned energy networks and other assets include UK Government (the "**Government**") policy regarding the operation of the energy network which relates to security of supply, longer term changes in climate patterns causing sustained higher temperatures that may result in lower rainfall and reduced wind impacting on SSE renewable generation output, failure to carry out maintenance on network and generation assets and a malicious attack on UK or Irish energy infrastructure.

Speed of Change

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

- climate change and net zero strategic goals;
- fast developing customer needs in relation to efficient, innovative and flexible products and services;
- political developments and Government policy, particularly around climate change;
- technological developments and innovation;
- increased competition from market entrants including international oil companies;
- the size, scale and number of change programmes under way, including those relating to regulatory or legislative requirements in any jurisdiction in which SSE operates;
- stretched supply chain as a result of synchronised increases in global demand or decreases in global supply of key commodities;
- longer term capital investment plans and budgets;
- geopolitical events; and
- governance and decision-making frameworks within the SSE Group.

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

Political and Legal Risk

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

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

The impact of the coronavirus pandemic on the UK economy, which has created significant challenges for the Government including unprecedented demands on public finances and inflationary pressures, has contributed to the current cost of living crisis. This economic backdrop may present challenges and opportunities in the political landscape as the Government looks to respond to these macro-economic developments. It may also create opportunities where the Government might use investment in energy infrastructure as a direct economic stimulus. The consequences of any Government action on the SSE Group's business are uncertain.

The Scottish Government continues to seek a route to a second independence referendum, however, it is unclear whether such a referendum will ultimately occur, what the outcome might be should it occur, and if a referendum occurred and Scotland voted to leave the UK, what Scotland's future relationship with the rest of the UK and the EU would be. The consequences of any potential future referendum on the SSE Group's businesses are therefore uncertain.

Regulatory Risk

Licensing regime

The electricity and gas distribution and electricity transmission networks operations, the electricity generation operations and the gas and electricity supply operations of the SSE Group are subject to regulation and licensing requirements overseen by the Office of Gas and Electricity Markets ("**OFGEM**"), which is governed by the Gas and Electricity Markets Authority (the "**Authority**"). In addition, the electricity and gas distribution networks, as well as electricity transmission, are subject to direct price regulation by the Authority. In June 2023, the Department for Energy Security and Net Zero ("**DESNZ**") introduced an amendment to the Energy Security Bill to include a direct reference to the net zero targets in the Climate Change Act 2008, which once in force, will require the regulator to consider how their decisions may assist the Secretary of State for Energy and Climate Change (or any successor) (the "**Secretary of State**") in meeting the Government's net zero targets.

Decisions regarding, for example, the levels of permitted revenues, licence renewals, modifications to the terms and conditions of licences in issue, and constraints on business development opportunities which may be taken by the Authority may all potentially adversely impact the operations and financial position of the SSE Group. Permitted revenues under the price controls are set for specific periods (currently five years) to provide certainty of funding for business planning. In Electricity Transmission, SSE's current price control runs until April 2026 and in Electricity Distribution, the price control runs until March 2028.

When setting network price controls, OFGEM must have regard to the need of licence holders to finance their obligations under the licence. However, failure to operate the networks properly could lead to compensation payments or penalties, as could any failure to make capital expenditure in line with agreed programmes that in turn leads to deterioration of the networks.

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

The electricity generation operations and the gas and electricity supply operations of the SSE Group in Ireland are subject to regulation and licensing requirements overseen by the Commission for Regulation of Utilities and the Utility Regulator for Northern Ireland.

Enforcement Framework

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

OFGEM completed a review of its enforcement policies in 2021/2022 and its enforcement guidelines were subsequently amended in March 2022. Upon completion of its review, OFGEM has simplified its settlement process (whereby license holders can settle a case, instead of contesting this) and has retained the 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.

OFGEM's primary objective via its enforcement framework is a culture where businesses act in line with their licence conditions and associated obligations through ensuring that any financial benefits of non-compliance are outweighed by the financial penalties issued and reputational damage imposed through enforcement action. Where compliance breaches have occurred, OFGEM would deliver credible deterrence for companies with visible and meaningful consequences where they do not comply. In the Business, Energy and Industrial Strategy Committee (the "**Committee**") report on 'Energy pricing and the future of the energy market', published in July 2022, the Committee concluded that OFGEM repeatedly failed to use its enforcement powers in any meaningful way. It recommended that OFGEM make 'full and proper use of its enforcement and compliance powers' and that, on an annual basis, OFGEM provides a memorandum to the Committee including a breakdown of its resources, and a summary of the enforcement and compliance action it has taken.

However, OFGEM has also acknowledged the value of companies adopting a self-reporting approach, coupled with swift action to put things right, which can and has often resulted in OFGEM seeking to resolve the matter via alternative action rather than opening an enforcement investigation. OFGEM can also require companies to make a redress payment to charity in lieu of, or in addition to, a traditional penalty payment. In practice this is agreed through negotiated settlement, although the Authority has powers to, where it is appropriate, make a customer redress order should redress not be agreed in enforcement cases. In 2022 OFGEM imposed £27.4 million of redress payments from licensees.[1] In April 2022 the allocation of redress guidance document was updated, and OFGEM confirmed that the Energy Saving Trust was re-appointed as the Independent Service Provider to manage and allocate the voluntary redress funds over a two year period, with the option to extend for a further two years in February 2024. The Energy Saving Trust has managed this since 2018.

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

In October 2021, Ofgem opened an investigation into SSE's compliance with the Transmission Constraint Licence Condition in relation to Foyers pumped storage power station, which is located in Northern Scotland. Following a detailed investigation, on 25 July 2023 Ofgem decided to impose a financial penalty on SSE Generation Limited, requiring it to pay £9.78 million in relation to a breach of its Generation Licence.

Environmental, social and governance risks

Safety and Environmental risks

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

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

[1] https://www.ofgem.gov.uk/energy-policy-and-regulation/compliance-and-enforcement

Failure to implement and maintain effective safety and environmental management and governance could result in harm to people and the natural environment, with potential for significant financial costs, contamination to the environment, reputational damage and 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.

Climate Change

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

The SSE Group's businesses are increasingly influenced by global climate change. Not adhering to current or future EU and UK legislation and policies aimed at addressing climate change, including those published by the UK's Committee on Climate Change relating to the Sixth Carbon Budget, which will run from 2033 to 2037, could adversely impact the SSE Group's operations or commercial position. Climate change induced changes to the environment, such as increased frequency of extreme weather, may pose operational challenges. Failure to respond adequately to the risks posed by climate change may represent added reputational risk.

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

Changes in temperature can affect demand for power and gas and consequently impact the price of these commodities and the number of units distributed. Additionally, rainfall and/or snow melt conditions impact on hydroelectric generation output, and wind conditions impact on wind generation output. Also, the interconnected nature of international commodity markets and energy systems, particularly between Ireland, the UK and the rest of Europe adds complexity to the impact of weather on energy prices and the SSE Group's earnings. Extreme weather conditions may also result in network damage, which in turn is likely to result in disruption to electricity supply.

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

People and Culture

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

During the coronavirus pandemic, the SSE Group carefully tracked the direct impact of the virus on its workforce and has taken steps to help protect and support them. It 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 who could not 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. The SSE Group's experience during the pandemic developed its business continuity plans, however, there is no guarantee that SSE Group's precautionary measures will be effective in all circumstances.

Cyber Security and Resilience

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

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

Risks relating to the relevant Issuer's financial position

Financial and Pension Fund Risks

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

The SSE Group has obligations in respect of two defined benefit pension schemes (the Scottish Hydro-Electric Pension Scheme (the "**SHEPS**") and the Southern Electric Pension Scheme (the "**SEPS**"), together the "**Pension Schemes**") and currently, in aggregate, there is a net accounting surplus across the Pension Schemes, with a net pension scheme asset value of £541.1 million at 31 March 2023.

For the financial year to 31 March 2023, the valuation of SEPS increased by £107.1 million to £174.5 million primarily due to actuarial gains of £72.8 million, in particular, the impact of higher discount rates as well as deficit repair contributions exceeding service costs. The last triennial actuarial valuation of SEPS as at 31 March 2022 was finalised in April 2023 and showed a deficit of £79.6 million on a projected unit basis. Following this valuation, the SSE Group agreed to a new schedule of contributions which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 31 March 2027. The next funding valuation will be carried out at 31 March 2025. The SSE Group also pays contributions in respect of current accrual. Total contributions of approximately £29.0 million are expected to be paid by the SSE Group during the year ending on 31 March 2024, including deficit repair contributions of £14.2 million. The deficit repair contribution will be made annually until March 2027, increasing in line with inflation each year.

The SHEPS has insured against volatility in its deferred and pensioner members through the purchase of 'buy-in' contracts meaning that the SSE Group only retains exposure to volatility in active employees. During the year the SHEPS surplus decreased by £150.9 million mainly as a result of actuarial losses from plan assets. The last triennial actuarial valuation of SHEPS was carried out at 31 March 2021 and showed a surplus of £268.3 million on a projected unit basis. Following this valuation, the SSE Group agreed to a new schedule of contributions which does not require contributions to be paid to the scheme, unless there is a deficit on the valuation basis for two successive quarterly valuations. Consequently, the SSE Group has not made contributions to the scheme in the year ending 31 March 2023. The next triennial funding valuation will be carried out as at 31 March 2024.

Any adverse changes in the SSE Group's pension fund position may result in the SSE Group being required to make increased ongoing contributions and / or make deficit repair repayments which may, if material, adversely affect the SSE Group's financial performance.

Large Capital Projects and Joint Venture Partnership Management

The SSE Group continues to deliver its capital investment programme, with a number of major construction and IT projects in development. It is critical that these projects are delivered on time and on budget, supported by its Large

Capital Projects Governance Framework. In addition, the SSE Group needs to ensure that projects are built to a high-quality standard as they generally have an economic life of typically between 25 and 60 years according to forecasted timescales and budgets.

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 is exposed to availability and capacity of competent contractors in any jurisdiction that the SSE Group operates and also the use of new and unproven technology. Whilst contractual warranties will cover the faulty components, there is often a significant unrecoverable cost associated with any potential delay during construction for replacements to be supplied, in addition to potential impacts to the service the SSE Group can provide to customers. Added to this, any quality defects may not show up until sometime after the construction of an asset, resulting in an expensive and disruptive process of recovery.

Increasingly a number of major projects are being constructed as part of a joint venture (operated and non-operated) both in the UK and Ireland and potentially in the future in other carefully selected geographic locations. There is potential for negative impacts from all aspects of supply chain management, including those relating to human rights, modern slavery and labour standards as well as supply chain impacts associated with new entities, new assets and a new network structure created by joint ventures and Brexit.

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

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

Risks related to the structure of a particular issue of Notes

Notes subject to optional redemption by an Issuer

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

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

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

RPI Linked Notes

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

Fixed/Floating Rate Notes

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

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

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

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

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

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

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

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

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

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

Nascent risk-free rates and market

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

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

Calculation of Interest

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

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

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

Rate of Interest payable shall be determined on the date the Notes became due and payable and shall not be reset thereafter.

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

Market Adoption

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

Floating Rate Notes – Benchmark Discontinuation

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

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

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

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

(ii) *Benchmark Events*

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

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

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

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

(*iii)* *Potential for a fixed rate return*

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

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

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

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

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

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

(iv) ISDA Determination

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

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

Notes issued at a substantial discount or premium

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

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

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply an amount equal to the net proceeds of the issue of those Notes to Eligible Green Projects (as defined in "*Use of Proceeds*" and further described in SSE's Sustainability Financing Framework (as amended and supplemented from time to time) (the "**Sustainability Financing Framework**"). Prospective investors should have regard to the information set out in the relevant Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular, no assurance or representation is given by SSE or any Dealer that the use of such proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects.

A basis for the determination of the definitions of "green", "sustainable" and "sustainability-linked" has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the "**Sustainable Finance Taxonomy Regulation**") on the establishment of a framework to facilitate sustainable investment (the "**EU Sustainable Finance Taxonomy").** The EU Sustainable Finance Taxonomy entered into force on 12 July 2020. The EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European

Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the Sustainable Finance Taxonomy Regulation.

Provisional political agreement has been reached in February 2023 on the legislative proposal for a European Green Bond Standard, which will be a voluntary label for issuers of green use of proceeds bonds (such as Green Bonds) where the proceeds will be invested in economic activities aligned with the EU taxonomy. However, the provisional political agreement remains subject to change and there is no assurance if or when such European Green Bond Standard will be confirmed and adopted by the European Council and European Parliament. Any Green Bonds issued under this programme will not be aligned with such European Green Bond Standard and are intended to comply with the criteria and processes set out in the Issuer's Sustainability Financing Framework only. It is not clear at this stage the impact which the European Green Bond Standard, if and when implemented, may have on investor demand for, and pricing of, green use of proceeds bonds (such as the Green Bonds) that do not meet such standard. It could reduce demand and liquidity for the Green Bonds and their price.

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

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), or are included in any dedicated "green", "environmental", "sustainable" or other equivalently-labelled index or indices, no representation or assurance is given by SSE, the Dealers or any other person that such listing or admission, or inclusion in such index or indices, satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another and also the criteria for inclusion in such index or indices may vary from one index to another. Nor is any representation or assurance given or made by SSE, the Dealers or any other person that any such listing or admission to trading, or inclusion in any such index or indices, will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading, or inclusion in such index or indices, will be maintained during the life of the Notes.

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

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

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

In August 2023, SSE consolidated its existing green bond framework and sustainability-linked bond framework into its Sustainability Financing Framework, allowing a more holistic approach to financing to ensure that investors contribute to the SSE Group's achievement of its strategic business goals. The Sustainability Financing Framework has been updated , in accordance with both the 2021 Green Bond Principles (the "**GBP**") and the 2023 Sustainability-Linked Bonds Principles (the "**SLBP**"), both administered by the International Capital Markets Association ("**ICMA**"). The Sustainability Financing Framework was reviewed by DNV GL which provided an independent assessment second party opinion on the relevance and scope of the selected key performance indicators ("**KPI(s)**") and the associated sustainability performance targets ("**SPTs**") and also confirmed the alignment with the SLBP and the stated definition of sustainability-linked bonds within the SLBP, which is to "incentivise the issuer's achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified environmental, social and governance ("**ESG**") objectives through KPIs and SPTs", thereby providing "an investment opportunity with transparent sustainability credentials" ("**Sustainability Financing Framework Second-party Opinion**"). A Sustainability Financing Framework Second-party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of Sustainability-Linked Notes issued under the Programme. Furthermore, the Sustainability Financing Framework Second-party Opinion does not provide assurance that the Sustainability Financing Framework will be aligned with any principles developed by industry bodies which are published after the date of this Prospectus. A Sustainability Financing Framework Second-party Opinion would not constitute a recommendation to buy, sell or hold securities and would only be current as of the date it is released. A withdrawal of the Sustainability Financing Framework Second-party Opinion may affect the value of such Sustainability-Linked Notes and/or may have consequences for certain investors with portfolio mandates to invest in sustainability-linked assets. The Issuers do not assume any obligation or responsibility to release any update or revision to the Sustainability Financing Framework and/or information to reflect events or circumstances after the date of publication of such Sustainability Financing Framework and, therefore, an update or a revision of the Sustainability Financing Framework Second-party Opinion may or may not be requested of DNV GL or other providers of second-party opinions.

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

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

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

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

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

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

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

Risks related to Notes generally

Modification, waivers and substitution

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

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

Change of law

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

Bearer Notes where denominations involve integral multiples

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

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

Risks related to the market generally

The secondary market generally

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

Exchange rate risks and exchange controls

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

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

Interest rate risks

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

OVERVIEW OF THE PROGRAMME

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

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

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

Maturities:	Any maturity, subject to compliance with all applicable and/or regulatory requirements.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount of such currency).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to EURIBOR or SONIA as adjusted for any applicable margin and subject to the Benchmark Discontinuation provisions set out in Condition 5(l).
Benchmark Discontinuation:	On the occurrence of a Benchmark Event, the Issuer may (subject to certain conditions and following consultation with an Independent Adviser) determine a Successor Rate, failing which an Alternative Rate and, if applicable, an Adjustment Spread, and any Benchmark Amendments in accordance with Condition 5(l). Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
RPI Linked Notes:	Payments of principal in respect of RPI Linked Notes (as defined in "*Terms and Conditions of the Notes*") or of interest in respect of RPI Linked Interest Notes will be calculated as specified in "*Terms and Conditions of the Notes*".
Sustainability-Linked Notes:	Fixed Rate Notes and Floating Rate Notes issued by the relevant Issuer may be subject to a Step Up Option if the applicable Final Terms indicates that the Step Up Option is applicable. The Rate of Interest for Sustainability-Linked Notes will be the Initial Rate of Interest specified in the applicable Final Terms, provided that, for any Interest Period commencing on or after the Interest Payment Date immediately following a Step Up Event, if any, the Rate of Interest shall be increased by the Step Up Margin specified in the applicable Final Terms. For the avoidance of doubt, an increase in the Rate of Interest may occur no more than once in respect of the relevant Sustainability-Linked Note. See Condition 5(c).
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the

same interest period. All such information will be set out in the relevant Final Terms.

Redemption: The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Optional Redemption: The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.

Status of Notes: The Notes will constitute unsubordinated and unsecured obligations of the relevant Issuer, all as described in "*Terms and Conditions of the Notes — Status*".

Negative Pledge: The Notes will contain a Negative Pledge, all as described in "*Terms and Conditions of the Notes — Negative Pledge*".

Cross Acceleration: The Notes will contain a Cross Acceleration, all as described in "*Terms and Conditions of the Notes — Events of Default*".

Ratings: Moody's has rated the Programme 'Baa1' and S&P has rated the Programme 'BBB+'. Moody's and S&P are established in the UK and registered under the UK CRA Regulation.

Tranches of Notes will be rated or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme.

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.

Early Redemption: Except as provided in "— Optional Redemption" above, Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes — Redemption, Purchase and Options*".

Withholding Tax: All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the UK, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in "*Terms and Conditions of the Notes — Taxation*".

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

Listing and Admission to Trading: Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on the Market and references to listing shall be construed accordingly.

Selling Restrictions: The United States, the UK, Prohibition of Sales to EEA Retail

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

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

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

TERMS AND CONDITIONS OF THE NOTES

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

SSE plc ("**SSE**"), Scottish Hydro Electric Power Distribution plc ("**SHEPD**"), Scottish Hydro Electric Transmission plc ("**SSEN Transmission**") and Southern Electric Power Distribution plc ("**SEPD**") (each an "**Issuer**" and together, the "**Issuers**") have established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of notes (the "**Notes**") in an aggregate principal amount outstanding at any time not exceeding the Programme Limit (as defined in the Trust Deed referred to below). The Notes are constituted by an Amended and Restated Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 24 August 2023 between the Issuers and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Amended and Restated Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 31 July 2014 has been entered into in relation to the Notes between the Issuers, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent and the other agent named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

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

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

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

1 FORM, DENOMINATION AND TITLE

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

All Registered Notes shall have the same Specified Denomination.

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

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

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

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

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

2 EXCHANGES OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) **Exchange of Notes**: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**: In the case of an exercise of an Issuer's or Noteholder's option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case maybe).

(e) **Exchange Free of Charge**: Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 STATUS

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

4 NEGATIVE PLEDGE

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

(a) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured equally and rateably with the Relevant Indebtedness or guarantee, as the case may be, by the Security Interest to the satisfaction of the Trustee; or

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

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

5 INTEREST AND OTHER CALCULATIONS

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g).

(b) **Interest on Floating Rate Notes and RPI Linked Notes**:

(i) *Interest Payment Dates:* Each Floating Rate Note and RPI Linked Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:

(A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment,

(B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day,

(C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or

(D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to any of ISDA Determination, Screen Rate Determination and/or Linear Interpolation shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

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

(x) the Floating Rate Option is as specified hereon

(y) the Designated Maturity is a period specified hereon and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

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

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

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

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

(y) if the Relevant Screen Page is not available or if sub-paragraph (x)(l) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such rates were offered at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Euro-zone inter-bank market, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Screen Rate Determination for Floating Rate Notes referencing Compounded SONIA

(x) SONIA Compounded Index Rate

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

(y) SONIA Compounded Daily Reference Rate

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

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

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SONIA_{\mathrm{i}} \times \mathrm{n}_{\mathrm{i}}}{365}\right)-1\right] \times \frac{365}{d}$$

where:

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

"***d***" is the number of calendar days in the relevant:

(i) Observation Period where Observation Shift is specified hereon; or

(ii) Interest Period where Lag is specified hereon;

"$\boldsymbol{d_o}$" is the number of London Business Days in the relevant:

(i) Observation Period where Observation Shift is specified hereon; or

(ii) Interest Period where Lag is specified hereon;

"***i***" is a series of whole numbers from one to $\boldsymbol{d_o}$, each representing the relevant London Business Day in chronological order from, and including, the first London Business Day in the relevant:

(i) Observation Period where Observation Shift is specified hereon; or

(ii) Interest Period where Lag is specified hereon;

"$\boldsymbol{n_i}$", for any London Business Day "*i*", means the number of calendar days from and including such London Business Day "*i*" up to but excluding the following London Business Day;

"$\boldsymbol{SONIA_i}$" means, in relation to any London Business Day the SONIA reference rate in respect of:

(i) that London Business Day "*i*" where Observation Shift is specified hereon; or

(ii) the London Business Day (being a London Business Day falling in the relevant Observation Period) falling "*p*" London Business Days prior to the relevant London Business Day "*i*" where Lag is specified hereon; and

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

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

1. (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five days on which the SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or

2. if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof), and

in each case, $SONIA_i$ shall be interpreted accordingly.

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

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

(D) Linear Interpolation

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

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

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

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

(c) Step Up Option:

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

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

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

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

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

As used in these Conditions:

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

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

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

a) Scope 1 Emissions; and

b) Scope 2 Emissions,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Reference Year**" means any:

a) Carbon Intensity (Electricity Generation) Reference Year;

b) Renewable Energy Output Reference Year; and

c) Absolute GHG Emissions Reference Year,

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(e) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 9).

(f) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding**:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(g) **Calculations**: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(h) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Make-Whole Amounts**: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 11, the accrued interest and the Rate of Interest payable in respect of the Notes shall, subject in the case of each of the SONIA Compounded Index Rate and the SONIA Compounded Daily Reference Rate to Condition 5(b)(iii)(C)(y)(i), nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(i) **Determination or Calculation by Trustee**: If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(j) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which T2 is open for the settlement of payments in euro (a "**TARGET Business Day**") and/or

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

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

(i) if "**Actual/Actual**" or "**Actual/Actual — ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30

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

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30

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

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30

(vii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year where:

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

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

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

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

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

"**Interest Amount**" means:

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

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

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

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

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

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

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

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

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

"**Reference Rate**" means the rate specified as such hereon.

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

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

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

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

(l) **Benchmark discontinuation:**

(i) *Independent Adviser*

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

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

(B) If (1) the Issuer is unable to appoint an Independent Adviser; or (2) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 5(l)(i)(A) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this Condition 5(l)(i)(B) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, Condition 5(l)(i)(A).

(ii) Successor Rate or Alternative Rate

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

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5(l)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(l)); or

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

(iii) Adjustment Spread

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

(iv) Benchmark Amendments

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

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

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

(v) Notices, etc.

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

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

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

(B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

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

(vi) Survival of Original Reference Rate

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

(vii) Definitions:

As used in this Condition 5(l):

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

(A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)

(B) the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged)

(C) the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines to be appropriate.

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

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

"**Benchmark Event**" means:

(1) the Original Reference Rate ceasing be published for a period of at least 5 Business Days or ceasing to exist; or

(2) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(3) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or

(4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months; or

(5) it has become unlawful for any Paying Agent, Calculation Agent the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

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

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

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

(A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

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

6 REDEMPTION, PURCHASE AND OPTIONS

(a) Final Redemption:

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

(b) Early Redemption:

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 6(c), [2][Condition 6(e)(ii)], [3][Condition 6(e)(iii)] or [3][Condition 6(e)(iv)] or upon it becoming due and payable as provided in Condition 11 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

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

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), [2]Condition 6(e)(ii)], [3][Condition 6(e)(iii)] or [3][Condition 6(e)(iv)] or upon it becoming due and payable as provided in Condition 11 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

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

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), [2][Condition

[2] Only applicable where SHEPD, SSEN Transmission or SEPD is the Issuer.

[3] Only applicable where SSE is the Issuer.

6(e)(ii)], [3][Condition 6(e)(iii)] or [3][Condition 6(e)(iv)] or upon it becoming due and payable as provided in Condition 11, shall be the Final Redemption Amount unless otherwise specified hereon, subject in each case to adjustment in accordance with Condition 7 if Indexation is specified hereon.

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

(d) **Redemption at the Option of the Issuer**: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date (that is, if the Issuer Maturity Par Call is specified to be applicable hereon, more than 90 days prior to the Maturity Date). Any such redemption of Notes shall be at the Optional Redemption Amount specified hereon together with interest accrued to the date fixed for redemption, subject in each case to adjustment in accordance with Condition 7 if Indexation is specified hereon. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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

Where:

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

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

"Redemption Margin" shall be as specified hereon.

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

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

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

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

"Specified Time" shall be as specified hereon.

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

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

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

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

(e) Redemption at the Option of Noteholders:

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

(ii) This Condition 6(e)(ii) applies only where SHEPD, SSEN Transmission or SEPD is the Issuer.

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

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

(A) within the Restructuring Period, either:

(I) if at the time such Restructuring Event occurs the Notes are rated, a Rating Downgrade in respect of such Restructuring Event also occurs; or

(II) if at such time the Notes are not rated, a Negative Rating Event also occurs;

(B) in making any decision to downgrade or withdraw a credit rating pursuant to paragraphs (i) and (ii) above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Restructuring Event (the "**Confirmation**"); and

(C) an Independent Financial Adviser shall have certified in writing to the Trustee that such Restructuring Event is, in its opinion, materially prejudicial to the interests of the Noteholders (a "**Negative Certification**"),

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

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

Any certification by an Independent Financial Adviser as aforesaid as to whether or not, in its opinion, any Restructuring Event is materially prejudicial to the interests of the Noteholders shall, in the absence of manifest error, be conclusive and binding on the Trustee, the Issuer and the Noteholders.

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

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

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

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

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

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

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

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

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

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

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

(B) (if at the time that the SSE Restructuring Event occurs there are no Rated Securities) a SSE Negative Rating Event in respect of the SSE Restructuring Event occurs, (the SSE Restructuring Event and SSE Rating Downgrade or the SSE Restructuring Event and SSE Negative Rating Event, as the case may be, occurring within the SSE Restructuring Period, together called a "**SSE Restructuring Event Put Event**"),

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

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

(v) Promptly upon, and in any event within 14 days after, the Issuer becoming aware that a [4][Restructuring Event Put Event], [5][Change of Control Put Event] or [5][SSE Restructuring Event Put Event] has occurred, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding, the Trustee shall (subject to it being indemnified and/or secured to its satisfaction), give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 17 specifying the nature of the [4][Restructuring Event Put Event], [5][Change of Control Put Event] or [5][SSE Restructuring Event Put Event] and the procedure for exercising the [4][Restructuring Event Put Option], [5][Change of Control Put Option] or [5][SSE Restructuring Event Put Option].

If the rating designations employed by any of Moody's or S&P are changed from those which are described in the definition of [4][Rating Downgrade], [5][Change of Control Rating Downgrade] or [SSE Rating Downgrade] below, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee, the rating designations of Moody's or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's or S&P and this Condition 6 shall be construed accordingly.

The Trust Deed provides that the Trustee is under no obligation to ascertain whether [4][a Restructuring Event, a Negative Rating Event or a Potential Restructuring Event (as defined in the Trust Deed)], [5][a Change of Control Put Event, Change of Control, a Change of Control Negative Rating Event or any event which could lead to the occurrence of or could constitute a

[4] Only applicable where SHEPD, SSEN Transmission or SEPD is the Issuer.

[5] Only applicable where SSE is the Issuer.

Change of Control] or [5][a SSE Restructuring Event, a SSE Negative Rating Event or a Potential SSE Restructuring Event] has occurred and until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary the Trustee may assume without liability to any person for so doing that no such event has occurred. The Trust Deed also provides that in determining whether or not a [4][Restructuring Event] or [5][SSE Restructuring Event] has occurred, the Trustee shall be entitled, but not bound, to rely solely on an opinion given in a certificate signed by two directors of the Issuer.

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

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

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

(g) **Redemption at the option of the Issuer (Issuer Maturity Par Call)**: If Issuer Maturity Par Call is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon), redeem the Notes in whole, but not in part, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at the Final Redemption Amount specified hereon together with interest accrued (if any) to (but excluding) the date fixed for redemption, subject to adjustment in accordance with Condition 7 if Indexation is specified hereon.

(h) **Clean-Up Call Option**: If Clean-Up Call Option is specified hereon, the Issuer may, on giving no less than 30 nor more than 60 days' irrevocable notice to the Noteholders, redeem the Notes in whole, but not in part, on the date specified in such notice at the Clean-Up Redemption Amount specified hereon together with interest accrued (if any) to (but excluding) the date fixed for redemption, subject to adjustment in accordance with Condition 7 if Indexation is specified hereon.

(i) **Purchases**: The Issuer and any of its Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(j) **Cancellation**: All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 INDEXATION

If Indexation is specified hereon:

(a) **Indexation**:

(i) The redemption amount payable pursuant to Condition 6(a), 6(b), 6(c), 6(d), 6(e), 6(f), 6(g) or 6(h) and the amount payable pursuant to Condition 11 upon repayment of the Notes, as the case may be, shall be the Early Redemption Amount, the Optional Redemption Amount, the Make-Whole Amount, [6][the Restructuring Event Redemption Amount], [7][the Change of Control Redemption Amount], [2][the SSE Restructuring Event Redemption Amount] or the outstanding nominal amount of the Notes, as the case may be, multiplied by the Index Ratio applicable to the date on which such redemption amount or repayment becomes payable.

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

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

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

7 Only applicable where SSE is the Issuer

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

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

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

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

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

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

$$\text{IFA} = \text{RPI}_{m\text{-}3}\ \frac{(\text{Day of Calculation Date-1})}{(\text{Days in month of Calculation Date})} \text{ x } (\text{RPI}_{m\ 2}\text{- RPI}_{m3})$$

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

"**IFA**" means the Index Figure applicable;

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

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

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

$$\text{IFA} = \text{RPI}_{m8}\ \frac{(\text{Day of Calculation Date-1})}{(\text{Days in month of Calculation Date})} \text{ x } (\text{RPI}_{m7}\text{ - RPI}_{m8})$$

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

"**IFA**" means the Index Figure applicable;

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

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

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

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

(b) Changes in Index:

(i) *Change in base*: If at any time the Index is changed by the substitution of a new base for it, then with effect from (and including) the date from and including that on which such substitution takes effect:

(A) the definition of Index and Index Figure in Condition 7(a) shall be deemed to refer to the new date in substitution for January 1987 (or, as the case may be, for such other date or month as may have been substituted for it); and

(B) the definition of Base Index Figure in Condition 7(a) shall be amended to mean the product of the then-applicable Base Index Figure and the Index immediately following such substitution, divided by the Index immediately prior to such substitution.

(ii) *Delay in publication of the Index*:

(A) If, in relation to a particular payment of interest or to the redemption of the Notes and otherwise than in circumstances which the Issuer certifies to the Trustee may fall within Condition 7(b)(iii) or 6(f) (notwithstanding that the Issuer may subsequently be advised that they do not fall within Condition 7(b)(iii) or 6(f)), the Index Figure relating to any month (the "**calculation month**") which is required to be taken into account for the purposes of the determination of the Index Figure applicable for any date is not published on or before the fourteenth day before the date on which such payment is due (the "**date for payment**"), the Index Figure relating to the relevant calculation month shall be the substitute index figure (if any) as is published by the Bank of England or the United Kingdom Debt Management Office (or such other United Kingdom authority as may be appropriate) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more of HM Government's index-linked stocks, as determined by the Expert; or

(B) if no such determination is made by the Expert within seven days, the Index Figure last published before the date for payment.

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

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

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

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

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

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

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

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

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

8 PAYMENTS AND TALONS

(a) **Bearer Notes**: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 8(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2.

(b) **Registered Notes**:

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) **Payments in the United States**: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Fiscal Laws**: All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment or other laws to which the Issuer agrees to be subject and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretation thereof, or any law implementing an intergovernmental approach thereto, and, save as provided in Condition 9, the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreement. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**: The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where these Conditions so require, (v) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

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

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

(f) **Unmatured Coupons and unexchanged Talons**:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than RPI Linked Notes), such Bearer Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, or RPI Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may reasonably require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

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

(h) **Non-Business Days**: If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

9 TAXATION

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

(a) **Other connection**: to, or to a third party on behalf of, a holder who is liable to such Taxes in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or

(b) **Presentation more than 30 days after the Relevant Date**: presented (or in respect of which the Certificate representing the relevant Note is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

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

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Make-Whole Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

10 PRESCRIPTION

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

11 EVENTS OF DEFAULT

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

(i) **Non-Payment**: default is made for a period of 14 days or more in the payment of any principal or 21 days or more in the payment of any interest due in respect of the Notes or any of them; or

(ii) **Breach of Other Obligations**: the Issuer fails to perform or observe any of its other obligations under the Notes or the Trust Deed and (except where the Trustee shall have certified to the Issuer in writing that it considers such failure to be incapable of remedy in which case no such notice or continuation as is hereinafter mentioned will be required) such failure continues for the period of 60 days (or such longer period as the Trustee may in its absolute discretion permit) next following the service by the Trustee of notice on the Issuer requiring the same to be remedied; or

(iii) **Cross-Acceleration**: (A) any other Indebtedness For Borrowed Money of the Issuer or any Principal Subsidiary becomes due and repayable prior to its stated maturity by reason of an event of default or (B) any such Indebtedness For Borrowed Money is not paid when due or, as the case may be, within any applicable grace period (as originally provided) or (C) the Issuer or any Principal Subsidiary fails to pay when due (or, as the case may be, within any originally applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness For Borrowed Money of any person or (D) any security given by the Issuer or any Principal Subsidiary for any Indebtedness For Borrowed Money of any person or for any guarantee or indemnity of Indebtedness For Borrowed Money of any person becomes enforceable by reason of default in relation thereto and steps are taken to enforce such security, save in any such case where there is a bona fide dispute as to whether the relevant Indebtedness For Borrowed Money or any such guarantee or indemnity as aforesaid shall be due and payable, provided that the aggregate amount of the relevant Indebtedness For Borrowed Money in respect of which any one or more of the events mentioned above in this paragraph (iii) has or have occurred equals or exceeds whichever is the greater of £20,000,000 or its equivalent in other currencies (as determined by the Trustee) or two per cent, of Capital and Reserves, and for the purposes of this paragraph (iii), "Indebtedness For Borrowed Money" shall exclude Project Finance Indebtedness; or

(iv) **Winding up — Issuer**: any order shall be made by any competent court or any resolution shall be passed for the winding up or dissolution of the Issuer, save for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement on terms previously approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders) or by an Extraordinary Resolution of the Noteholders; or

(v) **Winding up — Principal Subsidiary**: any order shall be made by any competent court or any resolution shall be passed for the winding up or dissolution of a Principal Subsidiary, save for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) not involving or arising out of the insolvency of such Principal Subsidiary and under which all the surplus assets of such Principal Subsidiary are transferred to the Issuer or any of its other Subsidiaries (other than an Excluded Subsidiary) or (B) the terms of which have previously been approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders) or by an Extraordinary Resolution of the Noteholders; or

(vi) **Cessation of Business**: the Issuer or any Principal Subsidiary shall cease to carry on the whole or substantially the whole of its business, save in each case for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) not involving or arising out of the insolvency of the Issuer or such Principal Subsidiary and under which all or substantially all of its assets are transferred to another member or members of the Group (other than an Excluded Subsidiary) or to a transferee or transferees which is or are, or immediately upon such transfer become(s), a Principal Subsidiary or Principal Subsidiaries or (B) under which all or substantially all of its assets are transferred to a third party or parties (whether associates or not) for full consideration by the Issuer or a Principal Subsidiary on an arm's length basis or (C) the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, [8][provided that if neither the Issuer nor any Relevant Subsidiary holds the Distribution Licence, the Issuer shall be deemed to have ceased to carry on the whole or substantially the whole of its business (and neither of exceptions (A) and (B) shall apply)]; or

(vii) **Insolvency**: the Issuer or any Principal Subsidiary shall suspend or announce its intention to suspend payment of its debts generally or shall be declared or adjudicated by a competent court to be unable, or shall admit in writing its inability, to pay its debts generally (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986) as they fall due, or shall be adjudicated or found insolvent by a competent court or shall enter into any composition or other similar arrangement with its creditors generally under Section 1 of the Insolvency Act 1986; or

(viii) **Security Enforced**: a receiver, administrative receiver, administrator or other similar official shall be appointed in relation to the Issuer or any Principal Subsidiary or in relation to the whole or a substantial part of the undertaking or assets of any of them or a distress, execution or other process shall be levied or enforced upon or sued out against, or any encumbrancer shall take possession of, the whole or a substantial part of the assets of any of them and in any of the foregoing cases it or he shall not be paid out or discharged within 90 days (or such longer period as the Trustee may in its absolute discretion permit),

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

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

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

12 MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

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

(i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes,

(ii) to reduce or cancel the nominal amount of or any premium payable on redemption of, the Notes,

(iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes,

(iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum,

(v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount or the Make-Whole Amount, including the method of calculating the Amortised Face Amount,

(vi) to vary the currency or currencies of payment or denomination of the Notes, or

(vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution,

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

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

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

(c) **Substitution**: The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of any Relevant Subsidiary or any wholly-owned Subsidiary (other than an Excluded Subsidiary) of the Issuer subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer, [9][(ii) such Relevant Subsidiary or wholly-owned Subsidiary holding the Distribution Licence or, if and, to the extent that, such Relevant Subsidiary or wholly-owned Subsidiary or the Issuer does not hold the Distribution Licence, an unconditional and irrevocable guarantee in respect of the Notes being provided by the Relevant Subsidiary and/or a wholly-owned Subsidiary of the Issuer which holds the Distribution Licence,] (iii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (iv) certain other conditions set out in the Trust Deed being complied with. Where the Notes are to have the benefit of a guarantee provided by the Issuer and a Relevant Subsidiary or a wholly-owned Subsidiary as aforesaid, such guarantee shall be on a joint and several basis.

(d) **Entitlement of the Trustee**: In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

13 ENFORCEMENT

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

14 INDEMNIFICATION OF THE TRUSTEE

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

15 REPLACEMENT OF NOTES, CERTIFICATES, COUPONS AND TALONS

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

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

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

16 FURTHER ISSUES

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

17 NOTICES

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

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

17A AVAILABLE INFORMATION

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

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

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

19 DEFINITIONS

For the purposes of these Conditions:

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

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

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

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

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

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

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

"**Capital and Reserves**" means the aggregate of:

(i) the amount paid up or credited as paid up on the share capital of the Issuer; and

(ii) the total of the capital, revaluation and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to minority interests and deducting any debit balance on the profit and loss account,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“**Excluded Subsidiary**” means any Subsidiary of the Issuer:

(i) which is a single purpose company whose principal assets and business are constituted by the ownership, acquisition, development and/or operation of an asset;

(ii) none of whose Indebtedness For Borrowed Money in respect of the financing of such ownership, acquisition, development and/or operation of an asset is subject to any recourse whatsoever to any member of the Group (other than such Subsidiary or another Excluded Subsidiary) in respect of the repayment thereof, except as expressly referred to in paragraph (ii) of the definition of Project Finance Indebtedness; and

(iii) which has been designated as such by the Issuer by written notice to the Trustee,

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

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

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

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

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

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

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

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

(i) any Relevant Subsidiary; or

(ii) any Subsidiary of the Issuer (not being an Excluded Subsidiary or any other Subsidiary of the Issuer at least 90 per cent, in nominal amount of whose Indebtedness For Borrowed Money is Project Finance Indebtedness):

  (A) whose (a) profits on ordinary activities before tax or (b) net assets represent 20 per cent., or more of the consolidated profits on ordinary activities before tax of the Issuer or, as the case may be, consolidated net assets of the Issuer, in each case as calculated by reference to the then latest audited financial statements of such Subsidiary (consolidated in the case of a Subsidiary which itself has subsidiaries) and the then latest audited consolidated financial statements of the Issuer provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest relevant audited consolidated financial statements of the Issuer relate, the reference to the then latest audited consolidated financial statements of the Issuer for the purposes of the calculation above shall, until consolidated financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned financial statements as if such Subsidiary had been shown in such financial statements by reference to its then latest relevant audited financial statements (consolidated in the case of a Subsidiary which itself has subsidiaries), adjusted as deemed appropriate by the Auditors after consultation with the Issuer; or

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

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

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

(i) which is incurred by an Excluded Subsidiary; or

(ii) in respect of which the person or persons to whom any such indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than an Excluded Subsidiary) for the repayment thereof other than:

(A) recourse for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset; and/or

(B) recourse for the purpose only of enabling amounts to be claimed in respect of such indebtedness in an enforcement of any encumbrance given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such indebtedness, provided that (aa) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement and (bb) such person or persons is/are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness, to commence proceedings for the winding up or dissolution of any member of the Group (other than an Excluded Subsidiary) or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of any member of the Group (other than an Excluded Subsidiary) or any of its assets (save for the assets the subject of such encumbrance); and/or

(C) recourse under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof or any obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by any member of the Group (other than an Excluded Subsidiary);

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

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

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

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

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

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

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

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

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

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

"**Restructuring Event**" means the occurrence of any one or more of the following events:

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

(b) the Issuer or, as the case may be, a Relevant Subsidiary agrees in writing with the Secretary of State (or any successor) to any revocation or surrender of the Distribution Licence; or

(c) any legislation (whether primary or subordinate) is enacted terminating or revoking the Distribution Licence, except in any such case in circumstances where a licence or licences on (in the opinion of the Trustee after consultation with the Issuer) no less favourable terms is or are granted to the Issuer or a Relevant Subsidiary and in the case of such Relevant Subsidiary at the time of such grant it either executes in favour of the Trustee an unconditional and irrevocable guarantee in respect of the Notes in such form as the Trustee may approve (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders) or becomes the primary obligor (jointly or severally where appropriate) under the Notes in accordance with Condition 12(c); or

(iii) any modification, other than a modification which is of a formal, minor or technical nature, is made to the terms and conditions of the Distribution Licence on or after the date on which agreement is reached to issue the first Tranche of the Notes unless two directors of the Issuer certify to the Trustee (upon which certification the Trustee shall be entitled to rely absolutely without liability) that such modified terms and conditions are not materially less favourable to the business of the Issuer; or

(iv) any legislation (whether primary or subordinate) is enacted removing, reducing or qualifying the duties or powers of the Secretary of State for Trade and Industry (or any successor) and/or the Gas and Electricity Markets Authority (or any successor) under Section 3A of the Electricity Act unless two directors of the Issuer have certified in good faith to the Trustee (upon which certification the Trustee shall be entitled to rely absolutely without liability) that the legislation is not materially adverse to the business of the Group; or

(v) (a) the Balancing and Settlement Code is terminated and not replaced by one or more agreements, commercial arrangements or open market mechanisms or frameworks, in each case on terms which two directors of the Issuer certify in good faith to the Trustee (upon which certification the Trustee shall be entitled to rely absolutely without liability) to be not materially less favourable to the business of the Group; or

(b) the Issuer or, as the case may be, a Relevant Subsidiary is given an Expulsion Notice (as defined in the Balancing and Settlement Code) pursuant to Section A.5.2.4 of the Balancing and Settlement Code requiring it to cease to be a party thereto; or

(c) there shall have occurred a Default (as defined in the Balancing and Settlement Code) under Section H.3.1.1 of the Balancing and Settlement Code in relation to the Issuer or, as the case may be, a Relevant Subsidiary, and such default remains unremedied or unwaived; or

(d) the Issuer or, as the case may be, a Relevant Subsidiary ceases to be a party to the Balancing and Settlement Code for any reason (other than pursuant to (b) and (c) above) except where a Distribution Licence is granted to a Relevant Subsidiary or, as the case may be, another Relevant Subsidiary as contemplated by paragraph (a) above and at or about the same time all rights and obligations of the Issuer or, as the case may be, a Relevant Subsidiary, pursuant to the Balancing and Settlement Code, which are attributable to such licence are assigned and transferred to such Relevant Subsidiary in such manner as the Trustee may approve (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders) or such Relevant Subsidiary enters into one or more agreements, commercial arrangements or open market mechanisms or frameworks in relation to such licence which two directors of the Issuer certify to the Trustee (upon which certification the Trustee shall be entitled to rely absolutely without liability) to be not materially less favourable to the business of the Group; or

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

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

"**Restructuring Period**" means:

(i) if at any time a Restructuring Event occurs the Notes are rated, the period of 90 days starting from and including the day on which that Restructuring Event occurs; or

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

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

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

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

(i) the Issuer does not, either prior to or not later than 21 days after the relevant SSE Restructuring Event, seek, and thereafter throughout the SSE Restructuring Period use all reasonable endeavours to obtain, a rating of the Notes or any other unsecured and unsubordinated debt of the Issuer having an initial maturity of five years or more ("**Rateable Debt**") from a Rating Agency; or

(ii) if the Issuer does so seek and use such endeavours, it is unable, as a result of such SSE Restructuring Event, to obtain a rating from a Rating Agency within the SSE Restructuring Period of at least BBB or Baa2 (or their respective equivalents for the time being),

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

"**SSE Rating Downgrade**" shall be deemed to have occurred in respect of the SSE Restructuring Event if the then current rating assigned to the Rated Securities by any Rating Agency at the invitation of the Issuer (or where there is no rating from any Rating Agency assigned at the invitation of the Issuer, the then current rating (if any) assigned to the Rated Securities by any Rating Agency of its own volition) is: (i) withdrawn or reduced from a rating of at least BBB or Baa2 (or their respective equivalents for the time being) to a rating below BBB or Baa2 (or their respective equivalents for the time being) or, (ii) if a Rating Agency shall already have rated the Rated Securities below BBB or Baa2 (or their respective equivalents for the time being), the rating is lowered at least one full rating notch (for example, BBB/ Baa2 to BBB-/Baa3 (or, in each case, their respective equivalents for the time being); provided that a SSE Rating Downgrade otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular SSE Restructuring Event if the Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce publicly or confirm in writing to the Issuer or the Trustee that its decision resulted, in whole or in part, from the occurrence of, or any event or circumstance comprised in or arising as a result of, or in respect of, the applicable SSE Restructuring Event (whether or not the SSE Restructuring Event shall have occurred at the time of the SSE Rating Downgrade);

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

"**SSE Restructuring Period**" means:

(i) if at the time a SSE Restructuring Event occurs there are Rated Securities, the period of 90 days beginning on and including the date of the relevant Public Announcement; or

(ii) if at the time a SSE Restructuring Event occurs there are no Rated Securities, the period beginning on and including the day on which such SSE Restructuring Event occurs and ending on the day 90 days

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

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

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

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

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

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

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

20 GOVERNING LAW

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 INITIAL ISSUE OF NOTES

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

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

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

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

2 RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

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

3 EXCHANGE

3.1 Temporary Global Notes

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

(i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Overview of the Programme — Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

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

3.2 Permanent Global Notes

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

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Trustee of its election for such exchange.

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

3.3 Permanent Global Certificates

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

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

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due; or (iii) with the consent of the Issuer,

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

3.4 Partial Exchange of Permanent Global Notes

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

3.5 Delivery of Notes

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

3.6 Exchange Date

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

4 AMENDMENT TO CONDITIONS

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

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 8(h).

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

4.2 Prescription

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

4.3 Meetings

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

4.4 Cancellation

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

4.5 Purchase

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

4.6 Issuer's Option

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

4.7 Noteholders' Options

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

4.8 NGN nominal amount

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

4.9 Trustee's Powers

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

4.10 Notices

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

5 Electronic Consent and Written Resolution

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

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

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

USE OF PROCEEDS

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

(a) for general corporate purposes; or

(b) exclusively to finance or refinance, in whole or in part, Eligible Green Projects.

"**Eligible Green Projects**" means (i) projects relating to electricity generation facilities that produce electricity from renewable sources, (ii) projects relating to facilities that store electricity and return it at a later time in the form of electricity, (iii) projects relating to facilities that store hydrogen and return it at a later time, and (iv) projects relating to the transmission and distribution network infrastructure that facilitates the transition to lower-carbon electricity systems.

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

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

SUSTAINABILITY FINANCING FRAMEWORK

On 22 August 2023, SSE published its Sustainability Financing Framework. This consolidated and replaced SSE's existing green bond framework and sustainability-linked bond framework into a single Sustainability Financing Framework, allowing a more holistic approach to financing to ensure that investors contribute to the SSE Group's achievement of its strategic business goals. The Sustainability Financing Framework has been updated in accordance with both the Green Bond Principles (published in 2021, the "**GBP**") and the Sustainability-Linked Bonds Principles (published in June 2023, the "**SLBP**"), both administered by the International Capital Markets Association ("**ICMA**"). The Sustainability Financing Framework is also focussed on climate solutions that are aligned to the Technical Screening Criteria of the EU Taxonomy.

The Sustainability Financing Framework is available at: https://www.sse.com/SustainabilityFinancingFramework.

SSE has appointed DNV GL to assess the sustainability of SSE Sustainability Financing Framework. DNV GL has reviewed the content as well as its alignment with the GBP, SLBP and the requirements of the EU Taxonomy, providing SSE with a second party opinion. The objective of this opinion is to provide investors with an independent assessment on the SSE Sustainability Financing Framework. The second party opinion provided by DNV GL is available at: https://www.sse.com/SustainabilityFinancingFramework.

DESCRIPTION OF THE ISSUERS

SSE plc ("**SSE**") was incorporated with limited liability in Scotland under the Companies Act 1985 with registration number SC117119 on 1 April 1989 for an unlimited term. SSE was originally incorporated as North of Scotland Electricity plc., and on 1 August 1989 it changed its name to Scottish Hydro-Electric plc. In December 1998, Scottish Hydro-Electric plc merged with Southern Electric plc, whereby Scottish Hydro-Electric plc acquired Southern Electric plc and subsequently changed its name on 14 December 1998 to Scottish and Southern Energy plc, with a further name change to SSE plc on 30 September 2011 (SSE and its subsidiaries being the "**SSE Group**"). SSE is the broadest energy-based company in the UK, being the only company operating in the generation, transmission, distribution and supply of energy. It has a market capitalisation of £19.7. billion and was the 26th largest company in the FTSE 100 as at 31 March 2023. The address of SSE's registered office is Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ and the telephone number of the main switchboard at the registered office is 01738 456 724. The website of SSE is sse.com. No information on such website forms part of this Prospectus except as specifically incorporated by reference, see "Documents Incorporated by Reference".

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

Board of Directors of SSE

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

Name	Title
Sir John Manzoni KCB	Chair
Alistair Phillips-Davies	Chief Executive
Gregor Alexander[10]	Finance Director
Martin Pibworth	Energy Director
Tony Cocker	Non-Executive Director
Peter Lynas	Non-Executive Director
Helen Mahy CBE	Non-Executive Director
Melanie Smith CBE	Non-Executive Director
Dame Angela Strank DBE	Non-Executive Director
Lady Elish Angiolini KC	Non-Executive Director
Debbie Crossbie	Non-Executive Director
John Bason	Non-Executive Director

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

- **Sir John Manzoni KCB** is a Non-Executive Director at Diageo and KBR Inc. and Chair of the Atomic Weapons Establishment.
- **Alistair Phillips-Davies** is Chair of SSEN Distribution Board, a Non-Executive Director of Anglian Water Services Ltd and a member of the Scottish Energy Advisory Board and the UK Government's Hydrogen Advisory Council.
- **Gregor Alexander** is Chair of SSEN Transmission Board and a Director of Neos Networks Ltd.

[10] Barry O'Regan will be appointed as Chief Financial Officer of SSE plc, effective 1 December 2023.

- **Martin Pibworth** is a Member of Energy UK Board.
- **Tony Cocker** is Chair of Infinis Energy Management Ltd and Chair of Future Biogas Ltd and Visiting Professor at Aston University.
- **Peter Lynas** is Senior Independent Director of First Group plc.
- **Helen Mahy CBE** is a Non-Executive Director of Gowling WLG (UK) LLP and of NextEnergy Solar Fund.
- **Melanie Smith CBE** is the Founder of Mokaraka Trust, Trustee of Sadlers Wells and Somerset House and Advisory Board member of Manaia.
- **Dame Angela Strank DBE** is a Non-Executive Director at Mondi plc and Rolls Royce plc.
- **Lady Elish Angiolini KC** is Principal of St Hugh's College, Oxford, Pro-Vice Chancellor of Oxford University, Chair of the Sarah Everard Inquiry and Chair of Board of Trustees of Reprieve.
- **Debbie Crosbie** is Chief Executive of Nationwide Building Society, Director of UK Finance and Member of the Glasgow Economic Leadership Board, Business School Advisory Board of Strathclyde University and the FCA Practitioner Panel.
- **John Bason** is Chair of the Primark Strategic Advisory Board and the charity FareShare and Non-Executive Director of Bloomsbury Publishing 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

Acquisition of Siemens Gamesa Renewables Energy

On 1 September 2022 the SSE Group completed the 100 per cent. acquisition of a European onshore renewable energy development platform from Siemens Gamesa Renewable Energy ("**SGRE**") for cash consideration of £519.5 million. The SGRE portfolio is mainly located in Spain with the remainder across France, Italy and Greece. This acquisition is aligned to the SSE Group's published strategy to pursue overseas renewable opportunities.

Acquisition of Triton Power – 50 per cent. joint venture acquisition

On 1 September 2022, the SSE Group announced that SSE Thermal and Equinor had completed the acquisition of Triton Power Holdings Limited from Energy Capital Partners for headline consideration of £341 million shared equally. The headline consideration included £96 million of loans which were settled on completion of the transaction and replaced with shareholder loans of £48.0 million each from SSE Thermal and Equinor.

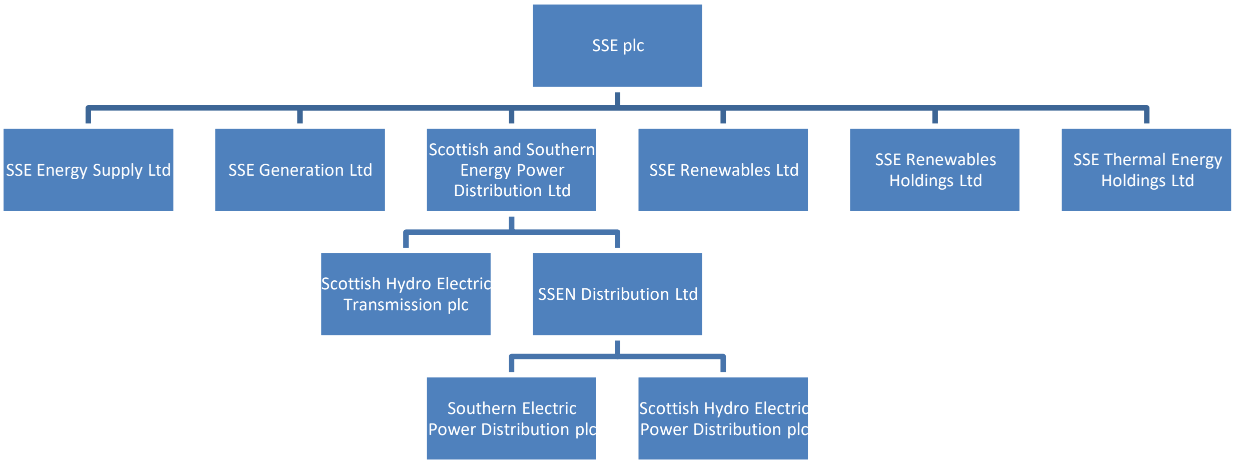
The SSE Group's share of the cash consideration paid for the equity investment was therefore £123.2 million after completion adjustments. Triton Power operates the 1.2GW Saltend Power Station in the Humber along with two smaller plants, Indian Queens Power Station, a 140MW Open Cycle Gas Turbine ("**OCGT**") in Cornwall, and Deeside Power Station, a decommissioned Combined Cycle Gas Turbine ("**CCGT**") in north Wales. The acquisition will strengthen the SSE Group's existing collaboration with Equinor and will support the long-term decarbonisation of the UK's power system and contribute to security of supply and grid stability.

Sale of 25 per cent. non-controlling equity stake in Scottish Hydro Electric Transmission plc

On 25 November 2022, the SSE Group announced it had agreed to sell a 25 per cent. non-controlling equity stake in Scottish Hydro Electric Transmission plc ("**SHET**") to Ontario Teachers Pension Plan for cash consideration of £1,465.0 million, less transactions costs of £16.9 million. The transaction completed on 30 November 2022, at which time the consolidated carrying value of SHET's net assets was £2,319.3 million. Since the transaction did not result in a loss of control, the SSE Group recognised a gain of £868.3 million within equity attributable to owners of the parent company. The SSE Group considered the rights and obligations and operating protocols arising from the disposal and has determined that the non-controlling interest in SHET has the characteristics of equity and has classified the non-controlling interest as such.

The SSE Group

SSE Group — principal subsidiaries as at 31 March 2023



The SSE Group develops, builds, operates and invests in low-carbon electricity infrastructure in support of the transition to net zero. Its businesses are engaged in onshore and offshore wind, hydro power, flexible thermal generation, solar and battery technologies, electricity transmission and distribution, and localised energy systems. It also provides energy products and services to businesses and other customers.

The SSE Group identifies opportunities in domestic and overseas markets where it believes it can best use its capability in providing the clean, affordable energy infrastructure needed to decarbonise the economy. SSE works with partners with relevant technical and geographic expertise in the deployment of proven and innovative technologies to grow a development pipeline that creates lasting value and benefits all stakeholders.

SSE's Management believes that the developer premium that comes with SSE's reputation for delivering world-class assets enables it to realise value at key stages of projects through timely sell-downs. By extracting value in this way, SSE does not always wholly own projects on completion, but SSE does retain stakes and a solid asset base to support future earnings. SSE's experience in managing large capital projects and navigating regulatory and planning processes offers a competitive advantage when it comes to securing quality development sites and required permissions.

SSE's Management believes it consistently delivers highly complex electricity infrastructure in a timely manner and within budget. It draws on a proud heritage of construction and utilises modern technologies in the building of assets that are critical to a cleaner, cheaper, more secure energy system.

As a national clean energy champion, SSE takes the role it has to play in decarbonising the energy system seriously and has published one of the world's first business strategies for a just transition to net zero. It is providing the renewables, the enabling networks and the flexible thermal generation that will be needed in a smooth transition. SSE also seeks to fulfil its social contract with communities by working with local supply chains, supporting their commitments to decarbonisation, and addressing the impact that change is having on the sector.

SSE operates its assets in a responsive and responsible way and promotes a culture of continuous improvement and stakeholder engagement to provide quality customer service. SSE invests in asset resilience to meet consumer demand and strives to ensure the safety and wellbeing of the people and places impacted by its activities.

As a critical service provider, SSE works to ensure the generation plant availability and networks resilience needed to support security of supply in the UK and Ireland. It also operates its assets efficiently through the implementation of innovation, learning and technology to maximise shareholder return and optimise customer value. While SSE is primarily focused on providing and running large infrastructure, it is keenly aware of the cost pressures felt by energy users. It is committed to the supply of affordable energy and the operation of resilient electricity networks for the benefit of customers.

SSE invests in low-carbon infrastructure as part of its net zero-focused strategy. Its investments are fully funded and underpinned by partnering which unlocks value, and debt secured at efficient rates. In May 2023, SSE announced it would be enhancing its investment programme as part of an updated Net Zero Acceleration Programme Plus ("**NZAP Plus**") amounting to £18 billion of capital expenditure.

SSE invests to fulfil its core purpose and support the Board's endeavours to promote the long-term success of SSE. SSE invests to create lasting value for shareholders and society, exercising financial discipline that commits only to projects that are expected to offer returns that are greater than the cost of capital and it invests to help meet its social obligations by contributing to GDP growth through payment of tax and creating quality jobs and supporting the supply chain through growth of the Company. At a Business Unit-level, SSE also invests in innovation and research and development that is furthering the cause of decarbonisation.

Recent Market Volatility

Economic uncertainty

2022/23 saw deepening economic uncertainty around the world as the post-pandemic energy crisis was exacerbated by Russia's invasion of Ukraine. Soaring energy prices principally driven by the cost of international gas contributed to high inflation in economies throughout the world.

The cost of living crisis in the UK has further underlined the importance of continued investment in homegrown sources of energy to reduce national exposure to external global forces. Simultaneously, governments across Europe and the world looked to recalibrate and expedite their renewable energy ambitions. In tandem with government policy, SSE continues to tackle the long-term causes of the current crisis by investing billions in domestic low-carbon infrastructure.

SSE's Management believes that a prudent approach to hedging throughout the financial year ended 31 March 2023 also helped insulate the SSE Group from the worst short-term commercial impacts of the market volatility. In response to the cost pressures facing its customers, SSE spent much of the year working closely with policymakers to develop and embed government support schemes. The Northern Irish Utility Regulator, which regulates the SSE Group's supply businesses ("**SSE Airtricity**") established the largest customer support fund in Ireland, with provision for up to €25 million in affordability funding, before later giving each customer a €35 rebate to honour its commitment to not making a profit in the financial year to 31 March 2023. Meanwhile, SSE Business Energy applied customer discounts to the value of £721 million in the year under the UK Government's Energy Bill Relief Scheme.

Governments around the world have set their sights on tackling the energy crisis with bold targets and aggressive policy action to bolster domestic energy security, with the importance of clean, affordable, homegrown energy as the solution to many countries' reliance on volatile and expensive international gas markets. SSE's Management believes wholesale prices at times in 2022 were up to ten times higher than they were in 2021.

In the UK cross-party political consensus crystalised around the importance of rapidly rolling out low-carbon technologies such as wind, carbon capture and storage ("**CCS**"), hydrogen, solar, battery and hydro, while urgently accelerating the buildout of enabling networks. OFGEM's Accelerated Strategic Transmission Investment framework announcement in December 2022 saw SSEN Transmission given the green light to take forward four further subsea Shetland High Voltage Direct Current ("**HVDC**") links; a number of new 400kV reinforcement projects and a 400kV upgrade to the existing Beauly-Denny line to unlock the rapid growth of power generation in the North of Scotland.

Government intervention

Concurrently, the financial year ended 31 March 2023 saw political attention in the UK and further afield focus even more acutely on the need to accelerate low-carbon infrastructure deployment; not only to increase energy security, but as a force for social and economic good to bring jobs, skills, and growth to regional heartlands that need it most.

With the cost of electricity rising substantially in 2022/23, governments faced exceptional fiscal pressures to address high energy bills and the impact of the broader cost of living crisis. In response to the crisis, a raft of proposals to intervene in energy markets were considered with the aim of tackling bills in the immediate term. Throughout the year industry worked constructively with policymakers to navigate the crisis and engage on the range of potential options under consideration.

As a Fair Tax Mark accredited company, SSE supported the principle of the Electricity Generator Levy ("**EGL**") in the UK and the wholesale electricity revenue cap in the EU to ensure that an appropriate amount of additional tax is paid where extraordinary earnings are realised in the midst of a crisis. Collectively, the industry worked closely with UK, Irish and EU officials through the consultative process with a view to ensuring that the design of the mechanisms achieved these aims whilst protecting against unintended consequences for security of supply and investor confidence.

Ongoing dialogue continues to focus on the need to ensure the impacts of intervention do not interfere with the industry's ability to deliver record levels of investment to address the underlying causes of the energy crisis. The European Union's strong signal on the time-limited nature of the revenue cap was therefore welcomed by industry, while the UK Government has recognised the future of the EGL must be considered in the context of protecting investor confidence.

Group hedging approach

The SSE Group's balanced mix of economically regulated and market-based businesses provides a natural hedge against short-term commodity price volatility. Nevertheless, the volatile commodity price environment throughout the year combined with the continued higher power price, gas price and inflation rate environment, will have a continued impact on SSE's businesses which can be summarised as set out below.

SSEN Transmission and SSEN Distribution operate under a regulatory price control framework which is set by OFGEM. Returns under this framework have no direct relationship to power and gas market prices. However, both allowed revenues and Regulated Asset Values ("**RAV**") are index linked (Transmission to the consumer prices index including owner occupiers' housing costs ("**CPI(H)**") for the RIIO-T2 price control period which lasts from 1 April 2021 to 31 March 2026, and Distribution to RPI (for the Electricity Distribution Price Control Review 1 ("**RIIO-ED1**") which ended on 31 March 2023) and CPI(H) (for the Electricity Distribution Price Control Review 2 ("**RIIO-ED2**") which lasts from 1 April 2023 to 31 March 2028).

Within SSE Renewables, the established hedging approach generally reduces its broad exposure to commodity price variation at least 12 months in advance of delivery. SSE's Management believes that this approach secures value for the business, by reducing exposure to short-term commodity price movements which would drive variable financial performance.

Hedges may be achieved either through the forward sale of power or gas and carbon equivalents. This approach aims to reduce the exposure of these wind assets to volatile spot power market outcomes whilst still providing an underlying commodity price hedge. When gas-and-carbon hedges are converted into electricity hedges a 'spark spread' is realised which can lead to changes in the average hedge price expected. This can increase the previously published average hedge price, as has been seen in 2022/23, or decrease it.

Whilst this hedging approach provides relatively stable realised power prices, market volatility in periods where wind volumes are significantly lower than expected can necessitate 'buy-backs' of excess forward sales contracts at higher prices, which would reduce the trading result, as has also been seen in 2022/23.

For SSE Thermal (as well as the hydro plant within SSE Renewables), value has come from the ability of the plant to respond to market conditions and provide vital balancing services to support security of supply through flexibility provision in less predictable market conditions.

The last twelve months has seen the SSE Thermal business navigate extreme volatility in the forward power markets. Whilst some of this volatility is directly attributable to the war in Ukraine and the ensuing gas crisis, there are other more fundamental drivers relating to price uncertainty which are longstanding. These longer-term price drivers include liquidity, carbon price basis risk, regulatory or political interventions, and the availability of risk capital and collateral within the markets. This business therefore aims to reduce earnings volatility by establishing a hedge for the expected economic output in the six months prior to delivery, although this approach is closely monitored for any unexpected changes in exposures as a result of current market conditions, such as the plant availability exposure, counterparty credit risk, and changes to cost of capital for collateral.

Higher power and gas prices are generally more economically favourable for these businesses, driving premiums over forward peak spark prices which includes market-based income from other sources outside of the simple spark spread such as Balancing Mechanism and ancillary grid contracts. Income from Capacity Mechanism is known ahead of each delivery year and is unrelated to current market conditions.

However, if a plant is unavailable at times of system stress then excess forward sales contracts would again need to be ‘bought back’ in the market which would negatively impact the trading result.

The gas storage assets are operated on a merchant basis, to optimise value arising from changes in the spread between summer and winter prices, market volatility and plant availability. As such, volatile gas prices are generally positive for this business, to the extent that the assets can respond to volatility and capture the positive gas price spreads arising.

EPM, as the market-facing commodity trader for each business unit, holds the SSE Group’s direct exposure to unsettled commodity contracts and therefore may experience significant unrealised mark-to-market remeasurement gains or losses in periods of volatility. However, these revaluations are unrelated to operating performance with traded volumes backed by SSE’s future generation output or expected customer demand. Whilst EPM is permitted to take small positions in the market to manage the SSE Group’s trading requirements and execute optimisation opportunities, this is contained within strict Value at Risk limits that limits trading exposure in volatile markets.

During the financial year ended 31 March 2023, market volatility and increased margining requirements resulted in a significant increase in the collateral required for trade with counterparties and on exchanges, this was monitored closely by the SSE Group and effectively managed with more than sufficient levels of liquidity maintained. The level of collateral required has decreased over the second six months of the financial year to 31 March 2023 as older trades have been settled and newer trades have experienced lower levels of volatility.

SSE Business Energy and SSE Airtricity (aside from Northern Ireland, where SSE Airtricity’s gas supply business is subject to a regulatory pricing mechanism) are not subject to a regulated price cap and therefore variable tariffs are adjusted dynamically and fixed tariff rates are reset for new customers as wholesale costs increase or decrease. Although the businesses are insulated against gas price rises insofar as they are hedged, there are external circumstances that would result in hedge adjustments such as weather, supplier failures and broader economic conditions. Due to the difficult affordability circumstances created by escalating wholesale prices across the year, a decision was made to protect domestic customers in Ireland from the full impact of these increases; tariff changes therefore did not fully reflect increases in wholesale prices. A dynamic forecasting approach has been implemented to help the business respond quickly to volume changes.

Both businesses have administered government-backed support schemes during the year, intended to protect domestic and non-domestic customers from the full impact of the heightened power and gas price environment. These schemes provide discounts to customers based on estimated usage and recover amounts from government based on actual customer usage – the most material of these being the Energy Bills Relief Scheme (“**EBRS**”).

In relation to Airtricity, vertical integration of generation and customer businesses in the Irish market limits commodity exposures with some benefit received through Renewable Energy Feed-in Tariffs receipts on legacy wind assets.

Networks

SSE has an ownership interest in three economically-regulated electricity network companies: (i) Scottish Hydro Electric Transmission plc (75 per cent.); (ii) Scottish Hydro Electric Power Distribution plc (100 per cent.); and (iii) Southern Electric Power Distribution plc (100 per cent.), all referred to as "**Networks**" in this Prospectus.

The adjusted operating profit for Networks was £755.1 million for the financial year ended 31 March 2023 (£732.3 million in the financial year to 31 March 2022). SSE estimates that the total RAV of its economically-regulated 'natural monopoly' business was £8,347[11] million as at 31 March 2023, up £138 million from £8,209 million as at 31 March 2022. As at 31 March 2023, the RAV comprised around £3,627 million for electricity transmission and £4,720 million for electricity distribution, compared with the RAV as at 31 March 2022 which comprised around £4,155 million for electricity transmission and £4,054 million for electricity distribution.

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

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

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

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

Electricity Transmission

SSEN Transmission, owns, operates and develops the high voltage electricity transmission system in the North of Scotland and its islands. Following a minority stake sale completed in November 2022, the business is owned 75 per cent. by SSE plc and 25 per cent. by Ontario Teachers' Pension Plan Board. All capex and RAV references in this Prospectus relate to 100 per cent. of the business unless otherwise stated. SSE's Management believes that the business is well placed to capture significant long-term growth opportunities from investment in enhancing energy security and enabling the development of renewables across the North of Scotland.

In the financial year to 31 March 2023, SSEN Transmission delivered another year of strong operational performance, achieving the maximum reward available through the Energy Not Supplied Incentive of £0.8 million for the third consecutive year, which will be reflected in revenue in 2024/25. This operational performance is underpinned by a robust programme of inspection, maintenance, refurbishment and replacement of its transmission assets, keeping the lights on for communities around the North of Scotland and ensuring reliable network access for its electricity generation customers to support security of supply.

SSEN Transmission's capital investment programme remains on track with good progress being made on all major projects. This includes the second phase of the Inveraray-Crossaig overhead line replacement project, with the

[11] Excludes 25 per cent. minority interest in SSEN Transmission

installation of all steel towers now complete and the project on track for energisation this summer. As well as maintaining and enhancing network reliability to the communities it serves, the Inveraray-Crossaig project will also enable the growth in renewable electricity generation across the region as part of the wider Argyll and Kintyre 275kV Strategy.

The Shetland HVDC transmission link also continues to make good progress with the second phase of the subsea cable installation works, which commenced in March 2023, now complete. 160km of the total 260km of subsea cable is now installed. Noss Head Switching Station in Caithness, which the Shetland HVDC link will connect to, was successfully energised in April 2023. Upon competition, the Shetland HVDC link will connect to the existing Caithness-Moray HVDC link, becoming the world's first multi-terminal HVDC system outside of China. It is a key innovation to support the future development of integrated HVDC grids, with HVDC links to date largely point-to-point connections. The project remains on track for completion and energisation in 2024.

Good progress continues to be made to increase the capacity of the North East transmission network to 400kV, with this phase of network upgrades remaining on track for energisation by the end of 2023. Work to incrementally increase the east coast transmission network also remains on track, to 275kV by the end of 2023 and then to 400kV by 2026.

SSE's Management believes that these strategic investments in new and upgraded infrastructure are key to help enable the continued growth in renewable electricity generation across the North of Scotland. These renewable connections include the completion of the third circuit of the Seagreen offshore wind farm connection to Tealing substation in Angus which completed in November 2022.

As at 31 March 2023, the total installed capacity of the North of Scotland transmission network was around 10.5GW, of which just over 9GW is from renewable sources. This includes the successful energisation of the Creag Rhiabhach wind farm (92MW) near Lairg in December 2022 and the successful completion of all three phases of the Seagreen (1,075MW) grid connection. Factoring in the forecast growth in renewables in the remaining years of the RIIO-T2 period, SSEN Transmission remains on track to meeting, and likely exceeding, its goal to transport the renewable electricity that powers 10 million homes.

SSEN Transmission continues to make tangible progress in unlocking several investments over and above its baseline investment case secured at the start of RIIO-T2. These additional projects, which are being taken forward through OFGEM's Uncertainty Mechanisms, will be key to delivering a pathway to net zero and helping support energy security.

In October 2022, SSEN submitted to Scottish Ministers its Section 37 planning application for the replacement and upgrade of the Fort Augustus to Skye transmission line, with Highland Council's Planning Committee unanimously supporting the application in March 2023. The replacement line is required to maintain security of supply and to enable the connection of renewable electricity generation along its route. In May 2023, OFGEM published for consultation its response to SSEN Transmission's Final Needs Case, setting out its 'minded-to approve' provisional decision. Subject to timely planning and regulatory approvals, the project is on track for completion in 2026.

Following OFGEM's approval of SSEN Transmission's Initial Needs Case for the Argyll 275kV Strategy in December 2022, in May 2023, SSEN Transmission submitted its Final Needs Case. This followed a direction from OFGEM to allow submission in advance of securing all main planning consents due to the risk of delay and likely increase in cost that would otherwise have been the case, alongside providing certainty to support the project's procurement process. The Argyll and Kintyre 275kV Strategy is required to upgrade the local transmission network from 132kV to 275kV operation, supporting the forecast growth in renewables in the region.

The decision in October 2022 by Argyll and Bute Council's Planning Committee to raise an objection to SSEN Transmission's proposed overhead line between Creag Dhubh and Dalmally has resulted in a Public Local Inquiry, which is now under way. SSEN Transmission remains extremely disappointed by the decision, which went against the recommendations of the Council's own Planning Officer, with no other statutory stakeholder objections received, and continues to review what this means for its delivery programme and will work with all stakeholders to minimise the impact of this on new renewable generation connections.

In March 2023, OFGEM provisionally approved long established plans to provide a 220kV subsea transmission link to Orkney, the timing of which remains subject to OFGEM's final decision and ongoing discussions with the supply chain.

Further expenditure to connect new renewable generation, enable rail electrification and support system security is also expected throughout the RIIO-T2 period and beyond when the need for this investment becomes certain.

Subject to regulatory and planning approvals, SSEN Transmission's expenditure across the price control period could take its RAV to between £8 billion to £9 billion by 2027.

In July 2022, the National Grid Electricity System Operator ("**ESO**") published the Pathway to 2030 Holistic Network Design ("**HND**"). It set out the onshore and offshore electricity transmission network infrastructure required to deliver the UK Government's 50GW by 2030 offshore wind target.

In December 2022, OFGEM published its Accelerated Strategic Transmission Investment ("**ASTI**") framework decision, which provided the regulatory framework under which those investments will be taken forward. OFGEM's ASTI decision is a major step forward in strategic network planning for electricity transmission infrastructure and included 'approval of need' of all investments in SSEN Transmission's network region set out in the HND report as 'required' to enable 2030 targets. The ASTI framework also unlocks early pre-construction expenditure to help secure the supply chain, alongside allowances to support early construction activities.

In light of these developments, SSEN Transmission has upgraded its long term RAV target, which is now expected to exceed £15 billion by 2032. Subject to timely and positive planning decisions and the outcome of competitive tenders for delivery of these projects, SSEN Transmission is committed to 2030 delivery of these projects.

Beyond these investments, in October 2022, OFGEM published its decision on the onshore and offshore classification of the offshore HND assets. It confirmed that a proposed subsea connection from Fetteresso to a new substation in Lincolnshire will be classed as an onshore electricity transmission asset, which is likely to support further growth.

With the HND enabling around 11GW of ScotWind's 28GW ambition, a follow-up exercise is now under way which will set out how ScotWind's full offshore wind ambition will be realised, the outcome of which is expected before the end of 2023.

The Scottish Government is also consulting on its Draft Energy Strategy and Just Transition Plan, which includes proposals for an additional 8-12GW of onshore wind by 2030. Recognition by OFGEM and the ESO of these further potential growth and investment opportunities, alongside ever-increasing UK and Scottish Government energy targets and ambitions, underlines the importance of the Transmission network, particularly in the North of Scotland, in transitioning the GB energy system to net zero.

Given the scale of investment required to deliver net zero, SSE's Management considers that it is crucial that the policy landscape and regulatory framework, particularly financial parameters, continues to attract the investment required to support delivery of the most ambitious investment plan in low-carbon infrastructure for a generation.

Electricity Distribution

SSEN Distribution operating under licence as Scottish Hydro Electric Power Distribution plc ("**SHEPD**") and Southern Electric Power Distribution plc ("**SEPD**"), is responsible for safely and reliably maintaining the electricity distribution networks supplying over 3.9 million homes and businesses across central southern England and the North of Scotland. SSE's Management believes that SSEN Distribution's networks cover the greatest land mass of any of the UK's Distribution Network Operators with over 75,000km^2 of extremely diverse terrain. SSE's Management believes that the business has significant growth opportunities as a key enabler of the local and national transition to a net zero future.

In December 2022, OFGEM published its Final Determinations for the RIIO-ED2 price control outlining its response to SSEN's Business Plan 'Powering Communities to Net Zero'. SSEN Distribution accepted OFGEM's Final Determination in March 2023 and will continue to work closely with the regulator to ensure the price control has the agility and flexibility required to keep pace with net zero requirements. The price control began in April 2023 and will run until March 2028.

The new price control period will see the acceleration of SSEN Distribution's major capital investment programme across both its networks, delivering significant improvements for customers and supporting future earnings through RAV growth. This builds on continued capital delivery in the final year of RIIO-ED1, where SSEN Distribution invested £421 million, bringing the total investment since the beginning of the price control to £2.7 billion.

Under the RIIO regulatory regime and 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 Customer Minutes Lost ("**CML**"), which includes both planned and unplanned supply interruptions. These incentives will typically be collected two years after they are earned.

The SHEPD CI rate increased from 56 in 2021/22 to 60 in 2022/23, with CML increasing from 57 to 59. Whilst performance in response to unplanned network faults improved in comparison to 2021/22, reflecting investment in automation and operational response, a rise in planned interruptions to facilitate new connections has impacted IIS performance. In SEPD, the CI rate increased to 44 up from 42 the previous year and CMLs also increased to 46 from 42 the previous year. Adverse weather which did not qualify as exceptional under IIS provisions and a major transmission fault affecting 55,000 customers were also contributory factors in performance for the period.

In 2022/23 the SSEN Distribution network was affected by two extreme weather events, an ice storm in Shetland in December 2022 and Storm Otto in February 2023. SSE's Management considers that power restoration efforts during both weather events were swift and effective as reflected in a motion in the Scottish Parliament praising SSEN Distribution's 'exceptional response' to Storm Otto, citing improvements in restoration, communications and customer service.

In response to the security of supply concerns across GB and possibility of emergency disconnections, SSEN Distribution was one of the first Distribution Network Operator ("**DNO**") to develop an emergency planning portal for customers and conducted engagement with over 2,500 stakeholders to help ensure preparedness and community resilience.

SSEN Distribution's Broad Measure performance has again improved in 2022/23 achieving a total incentive return of £4.4 million and continuing the upward trend which has been supported by a comprehensive improvement plan for each Broad Measure category. In 2022/23 SSEN Distribution was the most improved DNO for Customer Satisfaction, with the speed of improvement being five times that of the industry average.

In 2022/23 SSEN Distribution received its highest ever league table position in the Stakeholder Engagement and Customer Vulnerability standings, resulting in an estimated revenue of £1.5 million. Support for customers in vulnerable situations also increased with registrations to SSEN's Priority Services Register rising by 11 per cent. compared to the previous financial year through targeted communications and partnerships. In addition, over 14,500 households were supported by fuel poverty and energy efficiency measures, an increase of almost 70 per cent. on 2021/22.

In March 2023, SSEN published its Fair Energy Future report, and in doing so became one of the first DNO to publish a consumer-led just transition action plan aimed at securing a fair and inclusive net zero transition for all.

SSEN Distribution's RIIO-ED2 Business Plan, which was co-created with stakeholders, is a core component of SSE Group's NZAP Plus. The Final Determination from OFGEM provides SSEN Distribution with a proposed total base expenditure of £3.6 billion, an uplift of over 22 per cent. on the equivalent period in RIIO-ED1, including potential additional investment opportunities of up to £0.7 billion over the period through uncertainty mechanisms and reopeners.

With the transition to net zero gathering pace, SSEN Distribution is seeing a significant rise in the uptake of low-carbon technologies, particularly electric vehicle ("**EV**") charge points, heat pumps, and battery storage. The business has seen a 75 per cent. uplift in the number of electric vehicle charge points connected compared to last year.

The SEPD network is experiencing rapid growth in both generation and demand requests, with significant large load requests coming from data centres and contracted batteries doubling over the past year. In SHEPD, generation demand has tripled from 3.7GW to 9.5GW over the past 18 months.

Project LEO, SSEN Distribution's project established to replicate the future energy system and test flexibility services at the 'grid edge', has concluded. Insights are now being used to facilitate extensive engagement with local authorities and stakeholders to support local net zero planning. This includes collaborative work with the Isle of Wight Council and local generators to produce a first-of-its-kind local net zero island study, which has identified core network development needed to unlock renewables and meet future demands. This provides a robust case to unlock further investment through uncertainty mechanisms early in the price control.

SSEN Distribution is also increasing tendering its flexibility services in areas where localised high demand can be offset to extend overall network capacity. SSEN's RIIO-ED2 Distribution System Operator Strategy targets delivery of 5GW in flexible services and 3.7GW of flexible connections by 2028. Overall, SSEN will invest around £70 million in Distribution System Operator ("**DSO**") capabilities in the five-year period, enabling greater consumer take-up of low-carbon technologies while delivering an estimated £460 million of benefits through deferred reinforcement and avoided capital expenditure.

During the RIIO-ED2 price control period, SSEN Distribution expects to increase its workforce materially as it delivers the infrastructure required for net zero, safely, efficiently and in line with customers' expectations. In the last year alone, its graduate intake increased by 180 per cent. and trainee engineers by 90 per cent., with specific pipelines for digital skills, alignment to and a focus on recruiting for difference, including neurodiversity.

SSE Renewables

SSE Renewables is a core part of the SSE Group and central to its future growth plans. It comprises the SSE Group's existing operational assets and those under development in onshore wind, offshore wind, flexible hydro-electricity, run-of-river hydro-electricity and pumped storage. As at 31 March 2023, operational offshore wind installed capacity is 487MW with onshore wind capacity and hydro-electric installed capacity at 1,969MW and 1,459MW respectively. In April 2023, the standalone Solar and Battery business, that had previously reported alongside SSE Distributed Energy, was integrated into SSE Renewables to optimise technological, planning and development synergies.

Whilst availability across all technologies has remained high, the lower-than-expected wind and rainfall observed over the last three years continued in the financial year to 31 March 2023, resulting in lower-than-normal production. SSE Renewables' hydro assets play an increasingly critical role in delivering cost-effective, low-carbon flexibility to the system, providing additional diversified revenue streams. Following a dry summer in 2022, autumn rain was above average followed by drier than average conditions over the winter months resulting in output for the year being behind plan. Plant availability, however, was very strong and following an intensive period of summer maintenance outages, which were delivered to plan, winter plant availability was strong with the fully flexible plant and the pumped storage asset at Foyers performing particularly well.

SSE Renewables is actively progressing plans to enhance assets across its operational hydro fleet, including the addition of pumping capacity, generation capacity increases and grid services capabilities. SSE Renewables is the leading owner, operator and developer of onshore wind farms across the UK and Ireland. Operational onshore wind fleet availability was high throughout the year. Volumes finished at 93 per cent. of plan at 31 March 2023 with lower than forecast wind resource in the last quarter of the financial year ended 31 March 2023 impacting volumes.

While the end of the financial year saw lower wind resource than anticipated, autumn and winter saw an improved performance with Beatrice and Greater Gabbard offshore wind farms achieving 91 per cent. of plan overall, reducing to 73 per cent. when including Seagreen and the impact of its construction delay. There are now 50 turbines generating at Seagreen producing significant volumes and a new-build Vestas operational service vessel has been mobilised to site.

All three phases of the world's largest offshore wind farm at Dogger Bank (each 1,200MW, SSE share 40 per cent.) continue to progress. Onshore works are continuing on all three phases, with the three convertor stations at various stages of construction and the onshore HVDC cables already installed on Dogger Bank A and B. The operation and maintenance base at Port of Tyne is complete and was officially opened in March 2023.

Offshore work is well under way for Dogger Bank A with successful installation of the first monopiles and transition pieces and the 175km offshore export cable. In April 2023, Dogger Bank A reached another milestone with the installation of the world's first unmanned HVDC offshore substation, making it the first project in the UK to use this technology to transmit the electricity produced back to shore, ensuring that the electricity is transmitted efficiently over long distances while minimising losses.

Dogger Bank A is still expecting to achieve first power during Summer 2023, assuming normal weather. However, due to delays to the manufacturing of nacelles for the GE Haliade X turbine, the commercial operations date for Dogger Bank A has been pushed back by a few months to Q3 (July-September) 2024. The project is working with GE to assess whether impacts on Dogger Bank B and C are likely, as well as options to mitigate.

On Seagreen 1 (1,075MW, SSE share 49 per cent.), which will be Scotland's largest and the world's deepest fixed-bottom offshore wind farm once operational, installation of all 114 foundations ('jackets') was completed in April 2023 including what SSE's Management believe to be the world's deepest jacket at a depth of 58.6 metres. With 84 turbines installed and 53 turbines exporting power to the grid as of 18 April 2023, the project continues to make significant progress towards its commercial operations date during the summer of 2023.

Onshore, construction is progressing well on Viking (443MW) in Shetland with turbine installation under way and all turbines expected to be up by the end of 2023. Viking is expected to be fully operational by Autumn 2024.

In Ireland, Lenalea wind farm (30MW, SSE share 50 per cent.) construction is progressing and it is due to be completed by the end of 2023. Following a final investment decision in August, Yellow River (101MW) started construction at the beginning of November 2022 and will proceed on a merchant basis.

In hydro, phase one of the Tummel Bridge power station refurbishment was completed on schedule. The two existing 'camelback' turbines and accompanying machinery were removed in preparation for the installation of two new, bespoke turbines in Q2 2023.

SSE Renewables' core markets of the UK and Ireland continue to offer considerable growth opportunities. In March 2023, the UK Government opened the application window for Allocation Round 5. SSE Renewables projects Seagreen 1A Strathy South, Bhlaraidh Extension, Aberarder and Viking are all eligible to bid for the auction, with results expected by September 2023. However, the low administrative strike price (caps) in the auction, particularly for offshore wind, do not reflect the cost increases faced by projects. As a result, SSE Renewables will not be entering Seagreen 1A into the auction. It will continue to seek an alternative route to market to progress this project.

Located in the North Sea, in the outer Firth of Forth, Berwick Bank wind farm has the potential to deliver 4.1GW of installed capacity, making it one of the largest offshore opportunities in the world. A consent application was submitted to the Scottish Government in December 2022. The first connection date is in 2027 and the full project could be complete around the end of the decade.

Ossian offshore wind farm, owned by the SSE Renewables (3.6GW, share 40 per cent.), Marubeni Corporation and Copenhagen Infrastructure Partners ("**CIP**") consortium, is one of the largest floating offshore wind projects in development worldwide and could play a key role in meeting the UK Government's floating wind targets. The project continues to progress through the early stages of development with the Environmental Impact Assessment Scoping Report for the Ossian Array submitted to the Scottish Government in March 2023.

North Falls offshore wind farm (up to 504MW, SSE Renewables share 50 per cent.), an extension to Greater Gabbard off the east coast of England, continues to progress through development ahead of planning submission next year. North Falls could be operational by 2031, depending on the grid connection solution.

In February, SSE Renewables announced early scoping work to explore options for developing a fourth phase of Dogger Bank wind farm. There are two options being explored for the energy generated: a grid connection and/or green hydrogen production. The project's progression remains subject to agreement with the Crown Estate.

In March 2023, SSE Renewables' Gordonbush Hydrogen project was shortlisted for funding from the UK Government's Net Zero Hydrogen Fund.

SSE Renewables recently announced additional plans to adapt its existing conventional 152.5MW Sloy hydro power plant with pumping capabilities. Subject to final design, the converted Sloy scheme could be capable of delivering up to 25GWh of long-duration electricity storage capacity, providing vital reserve capacity for an increasingly renewables-led energy system as well as critical energy security back-up.

In March 2023, SSE Renewables confirmed a £100 million commitment to further develop plans for the Coire Glas pumped hydro storage project (c. 1,300MW). The project, which received planning consent from the Scottish Government in 2020, is expected to more than double Britain's total current electricity storage capacity. Subject to a favourable revenue stabilisation mechanism for long duration electricity storage, Coire Glas could reach a final investment decision by the end of 2024 with the objective of being fully constructed and commissioned by 2031 and therefore play a significant role in the UK Government's 2035 target for a decarbonised power system.

SSE Renewables remains committed to delivering Arklow Bank Wind Park 2 (up to 800MW), despite being unsuccessful in Ireland's first Offshore Renewable Energy Support Scheme ("**ORESS**") auction in May 2023. It will proceed to submit a planning application later this year to Ireland's planning board, An Bord Pleanála, whilst it explores future ORESS contracts and other routes to market.

The Irish Government has confirmed a new target of 20GW of offshore wind by 2040 with at least four ORESS auctions starting next year with 'plan-led' designated zones identified by the Government based on grid capacity.

Building on its existing Irish offshore development portfolio (Setanta (1,000MW) and Celtic Sea Array (1,200MW), SSE Renewables has submitted an application for an investigative foreshore licence for surveys of the seabed for a possible new 1GW offshore wind farm in the Atlantic Ocean off the coast of Tarbert, Co. Kerry.

In January 2023, SSE Renewables announced plans for its first solar and battery installation, co-located at its existing operational wind farm in Co. Wexford, Ireland. The planning application for the project, a 21MW solar photovoltaic (PV) array and a 10MW/2hr battery energy storage system, will be submitted in the coming months.

SSE Renewables' project pipeline consists of:

Project	**Location**	**Technology**	**Capacity (MW)**	**SSE Share (MW)**
In construction				
Dogger Bank A	GB	Offshore wind	1,200	480
Dogger Bank B	GB	Offshore wind	1,200	480
Dogger Bank C	GB	Offshore wind	1,200	480
Seagreen 1	GB	Offshore wind	1,075	527
Viking	GB	Onshore wind	443	443
Yellow River	Republic of Ireland	Onshore wind	101	101

	("ROI")			
Littleton	GB	Solar	30	30
Salisbury	GB	Battery	50	50
Ferrybridge	GB	Battery	150	150
Lenalea	ROI	Onshore wind	30	15
Late-stage development				
Seagreen 1A	GB	Offshore wind	500	245
Bhlaraidh Extension	GB	Onshore wind	99	99
Strathy South	GB	Onshore wind	208	208
Other GB & ROI	GB & ROI	Onshore wind	-	137
Spanish projects	Spain	Onshore wind[1]	291	291
France, Italy & Greece projects	Various	Onshore wind[1]	125	125
Coire Glas	GB	Pumped storage	1,300	1,300
ByPass	GB	Solar	50	50
Monk Fryston	GB	Battery	320	320
Tawnaghmore	GB	Battery	100	100
Early stage-development				
Berwick Bank	GB	Offshore wind	Up to 4,100	Up to 4,100
Ossian (Scotwind Lease)		Offshore wind	3,600	1,440
Arklow Bank 2	ROI	Offshore wind	800	800
North Falls	GB	Offshore wind	504	252
Cloiche	GB	Onshore wind	125	125
Other GB & ROI	GB & ROI	Onshore wind	-	311
Spanish Projects	Spain	Onshore wind[1]	808	808
France, Italy & Greece projects	Various	Onshore wind[1]	1,190	1,190
Fiddler' Ferry	GB	Battery	150	150
Staythorpe	GB	Battery	350	350
Other Future Prospects[4]				
Dogger Bank D	GB	Offshore wind	1,320	660
Setanta (Braymore Point)	ROI	Offshore wind	1,000	1,000
Celtic Sea Array	ROI	Offshore wind	1,200	1,200

Tarbert	ROI	Offshore wind	1,000	1,000
Japanese projects	Japan	Offshore wind	approximately 6,000	approximately 4,800
Other GB	GB	Onshore wind	approximately 550	approximately 550
Other ROI	ROI	Onshore wind	approximately 200	approximately 200
Spanish projects	Spain	Onshore wind[1]	approximately 1,750	approximately 1,750
France, Italy & Greece projects	Various	Onshore wind[1]	approximately 700	approximately 700
Other GB Hydro	GB	Hydro	75	75
Other Solar	GB	Solar	approximately 400	approximately 400
Other Battery	GB	Battery	approximately 900	approximately 900

Note 1: Includes solar hybridisation

Notes: All capacities are subject to change as projects refined. Table reflects ownership and development status as at 31 May 2023. Late-stage is consented in GB and grid or land security elsewhere, early-stage has land rights in GB and some security over planning or land elsewhere. Future prospects are named sites where non-exclusive development activity is under way. Additional solar and battery storage projects reflects Solar and Battery team now forming part of SSE Renewables.

SSE Renewables is progressing its Southern Europe development portfolio with at least three projects (totalling c.100MW) aiming for a final investment decision this year. The first two projects (in France and Spain) are targeting construction commencing in Summer 2023, with at least one further project targeting a final investment decision later in the financial year.

SSE Renewables remains focused on offshore wind in Northern Europe, despite missing out on the Dutch and Polish tender processes. In the Netherlands, SSE Renewables is now focused on the upcoming Ijmuiden Ver zone tenders (2 x 2GW), with bids now expected in the first quarter of 2024 following finalisation of the sites and tender process by the Dutch authorities later this year. SSE Renewables has partnered with APG Groep NV, acting on behalf of Dutch pension fund ABP (the Netherlands' largest), for the tenders and in Poland, the business continues to look at offshore partnering opportunities.

SSE Renewables continues to pursue offshore wind development activities in Japan through its joint venture SSE Pacifico (80 per cent. stake). It is assessing participation in the upcoming Round 2 auction whilst also targeting future auctions. The Japanese Government has announced its intention to open up its Exclusive Economic Zone to potential future floating wind projects. SSE Renewables has formed a 50/50 joint venture with Equis to bid for a feasibility licence for an offshore wind farm project in Australia's first Federal Government declared offshore wind zone of Gippsland, in waters off the coast of Victoria. The outcome of the bid is expected by the end of 2023.

SSE Renewables views the United States as an attractive growth market, particularly following the introduction of the Inflation Reduction Act. It continues to actively explore United States market entry opportunities across onshore and offshore wind and adjacent technologies.

Thermal Generation

SSE Thermal owns and operates a portfolio of conventional thermal generation in the UK and Ireland. These assets provide critical flexibility to offset renewables variability as the energy system transitions to net zero. The strategic importance of its gas storage assets has been highlighted by recent world events and the increasing focus on national energy self-sufficiency.

For the financial year ending 31 March 2023, SSE Thermal's fleet delivered strong availability in the GB market, which increased in the second half of the financial year. The impact of unplanned outages, most notably at Great Island, more than offset by strong operational availability across the portfolio. This enabled the fleet to use its inherent flexibility to sell output to the market and contract forward ahead of delivery, capturing value through forward spark spreads. The fleet has also been able to optimise in response to market conditions, particularly during periods of low wind. Robust asset management allowed the fleet to meet availability expectations and capture market value through a volatile period, despite outages at Medway, Marchwood and Great Island. Managing availability responsibly is and continues to be a key focus for SSE Thermal, both within year and when taking a view of future system needs.

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

Station	Asset type	Capacity	Capacity Obligation
Medway (GB)	CCGT	735MW SSE 100 per cent.	To September 2027
Keadby (GB)	CCGT	755MW SSE 100 per cent.	To September 2027
Keadby 2 (GB)	CCGT	893MW SSE 100 per cent.	16-year contract commencing October 2022
Peterhead (GB)	CCGT	1,180MW SSE 100 per cent.	To September 2027
Seabank (GB)	CCGT	1,234MW SSE 50 per cent.	To September 2027
Marchwood (GB)	CCGT	920MW SSE 50 per cent.	To September 2027
Saltend (GB)	CCGT	1,200 MW SSE 50 per cent.	To September 2027
Indian Queens (GB)	OCGT	140 MW	To September 2027
Slough Multifuel (GB)	Energy from Waste	50MW SSE 50 per cent.	15-year contract commencing October 2024
Burghfield (GB)	OCGT	45 MW SSE 100 per cent.	To September 2027
Chickerell (GB)	OCGT	45 MW SSE 100 per cent.	To September 2027

Great Island (ROI)	CCGT	464MW SSE 100 per cent.	To September 2027
Rhode (ROI)	Gas/oil peaker	104MW SSE 100 per cent.	To September 2027
Tawnaghmore peaking plant (ROI)	Gas/oil peaker	104MW SSE 100 per cent.	To September 2027
Tarbert (ROI)	Oil	620MW SSE 100 per cent.	To September 2023
Tarbert (ROI)	Biofuel	300 MW SSE 100 per cent.	10 years commencing October 2026
Platin (ROI)	Biofuel	150 MW SSE 100 per cent.	10 years commencing October 2026

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

In March 2023, Keadby 2, Europe's most efficient CCGT[12], entered commercial operation following a full commissioning phase which started in October 2021. Keadby 2 includes a first-of-a-kind[13] turbine that displaces older, more carbon intensive plant on the system. Before entering commercial operation, Keadby 2 had been generating intermittently across the year, capturing early value. Keadby 2's 15-year Capacity Market agreement is due to commence in October 2023 and all milestones to secure this agreement have been completed.

Following an agreement in June 2023, SSE Thermal, alongside Equinor as 50/50 partner, completed the acquisition of the Triton Power portfolio on 1 September in a £341 million transaction, providing additional flexibility and decarbonisation options. The portfolio includes the 1.2GW Saltend power station in the Humber along with two smaller plants, Indian Queens power station, a 140MW OCGT in Cornwall, and Deeside power station in North Wales, a decommissioned CCGT which provides carbon-free inertia to the system. While the Triton portfolio delivered value on an unhedged basis immediately after acquisition, a hedging strategy has since been implemented to reduce ongoing merchant exposure.

In March 2023, in line with requirements under the Industrial Emissions Directive, SSE Thermal announced the closure of Tarbert oil-fired power station in Ireland by the end of December 2023. Great Island CCGT and Rhode and Tawnaghmore peaking plant continue to play an important role in a tight system, where increased dispatchable capacity is required to meet system needs.

SSE's Management considers that developing decarbonised alternatives to the existing CCGT fleet will be vital to deliver SSE's goal to cut carbon intensity by 80 per cent. by 2030 and achieve its science-based carbon reduction targets, aligned with a 1.5°C global warming scenario.

[12] https://www.ssethermal.com/news-and-views/2023/03/europe-s-most-efficient-power-station-enters-commercial-operation-in-the-humber/

[13] https://www.ssethermal.com/news-and-views/2023/03/europe-s-most-efficient-power-station-enters-commercial-operation-in-the-humber/

In GB, SSE Thermal is developing projects that include CCS and hydrogen; technologies that SSE's Management believe will be critical to the transition to net zero, enabling enhanced renewables deployment by balancing the system. CCS and hydrogen remain at the heart of the UK Government's plans. In the past year, the UK Government has committed to deliver hydrogen transport and storage business models by 2025 to support its 10GW hydrogen production ambition, it has indicated that it will consult on the potential for hydrogen-to-power market interventions later in 2023 and issued a call for evidence on future support for power-CCS projects.

Aldbrough Hydrogen Pathfinder, SSE Thermal's hydrogen value chain proof of concept project, was shortlisted to progress to a due diligence phase after submitting a bid for funding and Hydrogen Production Business Model support through the Net Zero Hydrogen Fund. Aldbrough Hydrogen Pathfinder seeks to unite hydrogen production, hydrogen storage and a 100 per cent. hydrogen-fired OCGT on one site by the middle of the 2020s. This project is expected to enable and inform the scaling up of SSE's, the wider Humber, and the UK's hydrogen ambitions and help de-risk further hydrogen investment. With the role of small-scale peaking plant expected to increase, this integrated concept also delivers expertise and experience in low-carbon OCGTs.

SSE is continuing to develop options for hydrogen blending into Keadby 2, with pre-Front End Engineering Design ("**FEED**") activity under way. Option assessment and scoping activity for a further 100 per cent. hydrogen-fired CCGT at Keadby 3 also continues. Pre-FEED activity is also under way for Aldbrough Hydrogen Storage. The Triton Power portfolio adds to this hydrogen pipeline, with plans to blend up to 30 per cent. low-carbon hydrogen by 2027.

In December 2023 Keadby 3 Carbon Capture Power Station became the first power-CCS project to secure planning consent in the UK. Alongside the contract awarded in June 2022 for the completion of FEED, this demonstrates the project's advanced development. In March 2023 the UK Government announced the first carbon capture projects to be supported by government-backed contracts – this included projects located in Teesside and the northwest of England. As a Humber based project, Keadby 3 has not progressed to the final stage of negotiations for a Dispatchable Power Agreement. The UK Government has instead identified the Humber as a region to be supported through subsequent phases of its cluster sequencing process by 2030 at the latest. There are opportunities for Keadby 3 to access CO2 storage in either the Endurance store (a Track-1 CO2 transport and storage system) or Viking (identified as a minded-to Track-2 CO2 transport and storage system by UK Government). Next steps on cluster sequencing are expected later in 2023, with work progressing to complete FEED for Keadby 3.

The UK Government also set out further detail for Track-2 clusters. Acorn was identified as a 'minded-to' Track-2 CO2 transport and storage system, alongside Viking, for deployment by 2030. Acorn would provide CO2 storage for Peterhead Carbon Capture Power Station. Further expressions of interest for Track-2 clusters are being accepted by the UK Government ahead of next steps being communicated later in 2023. Peterhead Carbon Capture Power Station is continuing to develop with a planning application submitted in March 2022 and announcement of the award of a FEED contract in July 2022. It remains well placed to participate in future Dispatchable Power Agreement allocation processes.

SSE Thermal is seeking opportunities to expand its UK low-carbon pipeline. It continues to explore the decarbonisation of the Medway site through hydrogen or CCS. It has identified a potential new location for low-carbon power generation in northwest England, where CCS and hydrogen operations are being developed, well-located relative to the HyNet cluster. It is also investigating options to use alternative fuels, such as hydrogen derivatives. Construction activity for Slough Multifuel remains on track to complete in summer 2024.

In Ireland, SSE Thermal is advancing projects using sustainable biofuel as a lower carbon alternative to fossil-fuels and as a bridge to hydrogen. In March 2023 it provisionally secured 10-year Capacity Market agreements for two new low carbon power stations to commence in 2026/27 delivery year:

• 260MW of de-rated electricity generation at Tarbert (€129,000/MW)

• 140MW de-rated electricity generation at Platin (€177,000/MW)

The proposed low-carbon units at Tarbert in Co. Kerry and Platin in Co. Meath would help to protect security of supply and provide flexible backup to Ireland's growing renewables sector. The proposed units will initially run on hydrotreated vegetable oil, which is produced by processing waste oils to create a fossil-free alternative to diesel in accordance with EU sustainability standards. This would provide a bridge to a hydrogen future with both units having the potential to convert to the fuel. As with Aldbrough Hydrogen Pathfinder, these projects reflect the expected role peaking generation will play in the system.

Low-carbon projects in Ireland are progressing alongside activity to deliver a Temporary Emergency Generation unit, at the request of the Irish authorities. Following legislation and a site selection process undertaken by EirGrid, approved by the Commission for the Regulation of Utilities, the Tarbert site was selected to host 150MW of generation capacity, to run on distillate oil. It will operate as an emergency plant with a maximum running time of 500 hours per annum. Under the Irish Government's emergency generation legislation, this capacity is to cease operations as soon as the temporary electricity emergency has been addressed, and no later than March 2028. The unit would only be utilised when it is clear that market-sourced generation will not be sufficient to meet system needs.

Gas Storage

SSE Thermal holds around 40 per cent. of the UK's conventional underground gas storage capacity. SSE Gas Storage performed strongly in financial year to 31 March 2023, navigating highly volatile gas markets and optimising assets to help ensure security of gas supply for the UK whilst providing important liquidity to the market. These assets are a significant risk management tool to the portfolio by offering short notice flexibility to mitigate exposures from wind speeds and demand variability.

SSE's gas storage assets have made a substantial contribution in financial year to 31 March 2023, with high withdrawals and the technical ability to cycle quickly in response to market signals. Over the past three years the equivalent of two caverns of storage have been added through studies into maximum and minimum operating pressures. Aldbrough Caverns 6 and 9 were successfully returned to service ahead of winter 2022/23, adding further capacity. As a result of an increase in future market revenues forecast from these types of assets, the historical impairments have been almost fully reversed on Aldbrough at the year-end.

Underlining the societal value, SSE's Management believes these assets provide, the UK Government's Powering Up Britain Energy Security Plan, published in March 2023, highlighted that gas storage had operated successfully over the winter helping to meet demand caused by cold weather spells. The UK Government will consider the future role that storage can play in the longer term, considering the need to align with future plans for hydrogen and CO2 storage. SSE Thermal remains committed to working with UK Government departments and OFGEM to ensure the critical role of UK storage is properly valued, and low-carbon options can be delivered in tandem. Plans to develop an innovative hydrogen storage project at Aldbrough with Equinor, announced in July 2021, are progressing. Following the commitment in the British Energy Security Strategy to deliver hydrogen transport and storage business models by 2025, the UK Government published a consultation on this at the end of August 2022. This consultation notes the importance of storage as a 'system balancer' and envisages underground hydrogen storage becoming important to the functioning of the hydrogen economy by the end of the decade.

Aldbrough Hydrogen Pathfinder, a hydrogen value chain proof of concept project, was shortlisted to progress to a due diligence phase after submitting a bid for funding and Hydrogen Production Business Model support through the Net Zero Hydrogen Fund. Aldbrough Hydrogen Pathfinder seeks to unite hydrogen production, hydrogen storage and a 100 per cent. hydrogen-fired OCGT on one site by the middle of the 2020s. This project will enable and inform the scaling up of SSE's, the wider Humber, and the UK's hydrogen ambitions and help de-risk further hydrogen investment. With the role of small-scale peaking plant expected to increase, this integrated concept also delivers expertise and experience in low-carbon OCGTs.

SSE Business Energy

SSE Business Energy provides a shopfront and route to market to around 469,000 non-domestic customers across GB for SSE's generation, renewable green products and low-carbon energy solutions. Focus remains on supporting customers to reduce energy consumption, modernise systems and expand the green energy product offering to ensure the business grows its position as a trusted partner to customers on their net zero journey.

The primary focus of the financial year to 31 March 2023 has been delivering support to customers during a period of extreme market instability. This included implementing a government bill which provides support for customers at an administrative cost of £2 million that SSE Business Energy absorbed. Targeted support for customers included reducing contract lengths to help manage customers' exposure to high prices and providing flexible repayment options for customers struggling to pay. Under the UK Government's Energy Bill Relief Scheme, Business Energy applied customer discounts to the value of £721 million in the year and was compensated for the reduction in wholesale gas and electricity unit prices that was passed on. In other support measures, in October 2022, the business voluntarily implemented a disconnection ban for businesses (with a cumulative debt of £5 million) where end-users were either vulnerable or living in a residential setting aligned to a non-domestic contract. Additional support included the decision not to pass on £12 million of non-commodity costs to some customers with flexible contract terms.

Business Energy has continued to make progress on the SSE Group's Smart programme in 2022/23, with it installing more smart meters in proportion to its market share. Focus remains on driving Smart adoption throughout 2023/24, building on the SSE Group's smart propositions and incentives to encourage adoption and helping customers to manage and reduce demand. The business launched a suite of new and enhanced digital offerings in the period to improve the customer journey, including a small business sustainability content hub, providing help to customers with net zero guidance, and a free and easy-to-use carbon footprint calculator.

Business Energy will continue to focus on giving customers increased choice and flexibility to improve their green credentials and help with their paths to net zero. This includes extending its product range and giving customers greater transparency over the provenance of their renewable energy supply.

SSE Airtricity

SSE Airtricity provides a valuable route to market for the SSE Group's low-carbon energy solutions and green products to customers across the island of Ireland. SSE Airtricity retains a strong market position as one of Ireland's largest suppliers of 100 per cent. green energy, supplying approximately 700,000 customers.

The primary focus in the financial year to 31 March 2023 has been on supporting customers, resulting in the establishment of the most comprehensive customer support fund of any supplier in Ireland, up to the value of €25 million. Measures included a €2.5 million donation made to non-profit organisation EnergyCloud, which promotes system efficiency, utilising surplus renewable energy to supply fuel-poor households. Airtricity also applied discounts to the value of £116 million in the year to customers under the UK Government's Energy Bill Relief Scheme. Furthermore, as referenced in the Group Financial Review, SSE Airtricity honoured its commitment not to make a profit in the year in recognition of the cost-of-living crisis. Residual profits of €8.6 million were distributed to domestic customers in full, with accounts credited after the year-end in April 2023. The cost of the rebate will be reflected in financial results for 2023/24.

The business continued to enhance service offerings as customer engagement levels tripled year-on-year at their peak. The introduction of enhanced digital service capabilities such as Live Chat resulted in a greater than 90 per cent. reduction in customer wait times below peak levels.

During the period SSE Airtricity continued to evolve product offerings to support demand reduction including the launch of a market-leading premium microgeneration solar offering via the SSE Group's joint venture with Activ8 Solar Energies. Through its Generation Green Home Upgrade home retrofit proposition SSE Airtricity completed 1,500 solar installs, supplied over 300 batteries and retrofitted 650 homes this financial year, representing an estimated carbon saving of 8.9GWh.

Partnerships with RTÉ's DIYSOS, increasing the SSE Group's support for women's football through partnership with the Football Association of Ireland, and funding LGBT Ireland's advice helpline are examples of Airtricity's values and active community support.

SSE Airtricity has laid solid foundations and led the way in proposition innovation to more easily enable customers to reduce carbon emissions and energy usage. It has ambitions plans for energy services across the island of Ireland, aiming to deliver 45,000 home retrofits by 2030 and expanding the offering into the Republic of Ireland B2B and Northern Irish markets.

Energy Portfolio Management

EPM trades commodities for SSE's market-based Business Units, securing value on behalf of SSE's asset portfolios in wholesale energy markets and managing volatility through risk managed trading of energy-related commodities for SSE's market-based Business Units. SSE trades the principal commodities to which its asset portfolios are exposed, as well as the spreads between two or more commodity prices (e.g. spark spreads); power (baseload and other products); gas; and carbon (emissions allowances). Each commodity has different risk and liquidity characteristics, which impacts the quantum of hedging possible. The work EPM does is key to managing risk associated with the operations behind SSE's Net Zero Acceleration Programme ("**NZAP**").

EPM navigated continued energy market volatility, with winter 2022/23 seeing a reduction in volatility. EPM ensures the SSE portfolio was hedged in accordance with the Group's approach to hedging and then optimised through prompt periods. The value EPM secured for SSE's asset portfolio continues to be reported against individual Business Units.

Transformation of the EPM Business Unit continues with further recruitment and changes in systems and processes. Focus has been on core delivery in the exceptional market environment, alongside developments in market modelling, assurance, data governance and analytics, and wind balancing.

European trading continues in small volumes with the intention to increase this through 2023/24.

Energy Economics, SSE's long-term price forecasting and market analysis team, moved into EPM at the end of the financial year ended 31 March 2023 providing significant synergies and enhanced opportunities to share knowledge across the teams.

Distributed Energy

Distributed Energy brings low-carbon energy solutions to business-to-business markets – including major regional and partnership opportunities. With private wires, heat networks, behind-the-meter solar and battery, EV charging and competitive networks all part of the UK's net zero plans, Management believes it is well positioned for future growth. Grid-scale Solar and Battery will report as part of SSE Renewables from 1 April 2023.

Distributed Energy provides smart digital solutions for assets deployed and for businesses, buildings, and cities in the public sector and commercial markets in GB and Ireland. SSE's Management believes that Distributed Energy, solar and battery storage assets have an increasingly important role to play in the GB energy system as electrification accelerates and generation is increasingly led by intermittent wind output. They also provide valuable diversity and optionality to the SSE portfolio.

SSE's Distributed Energy team has opened its first EV charging hub in Glasgow with plans to roll out a further 300 hubs across the UK and Ireland. It has also launched its 'Enhance' technology platform which schedules, dispatches, and controls flexible assets to facilitate trading or Grid balancing actions.

SSE announced significant milestones in its solar and battery storage business in the reporting period which now has a 1.2GW solar and battery pipeline secured and a further 1.3GW of other prospective sites under development. These milestones include breaking ground in September 2022 at its first 50MW battery storage project at Salisbury with construction starting this summer at a 30MW solar farm at Littleton in Worcestershire. Construction of a new

150MW battery storage project at Ferrybridge in Yorkshire is also getting under way with the assets expected to be fully operational in late 2024.

SSE's Management believes that Distributed Energy has significant growth opportunities including supporting gigafactories and landmark redevelopment projects like Teesside. It is also developing heat network technologies including a new £25 million low-carbon district heating and electricity scheme in Aire Valley, Leeds. Following its acquisition of the Imperial Park private wire network in Wales; Distributed Energy will continue to explore opportunities to help businesses cut carbon and costs as well as supporting the transition to net zero at a local level. Transferring the Solar and Battery business to SSE Renewables allows it to scale up and develop opportunities both domestically and internationally, as well as take on co-location projects. Solar is a cost effective low-carbon technology and the UK Government has reaffirmed its commitment to its 70GW target by 2035; whilst battery storage is a key part of the net zero jigsaw with its ability to rapidly store and discharge energy when needed most by the grid.

Borrowings and Facilities

The SSE Group's objective is to maintain a balance between continuity of funding and flexibility, with debt maturities staggered across a broad range of dates. SSE's total debt and hybrid capital was £10.4 billion as at 31 March 2023. Its average debt maturity as at 31 March 2023 was 6.4 years, compared with 6.8 years as at 31 March 2022. Average cost of debt as at 31 March 2023 was 3.92 per cent. compared with 3.81 per cent. as at 31 March 2022. As at 31 March 2023, fixed rate debt was 92 per cent. of total debt.

SSE's Management considers that SSE's debt structure remains strong. Adjusted net debt and hybrid capital[14] was £8.9 billion as at 31 March 2023 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 and commercial paper. SSE's adjusted net debt and hybrid capital includes cash and cash equivalents totalling £891.8 million. The facilities, external debt and internal loan stock for the SSE Group as at 31 March 2023 (with sterling equivalents (where applicable) as at that date) were as follows:

SSE

- U.S.$320 million (£204.1 million) U.S. private placement due 2024
- £501.1 million U.S. private placement due between 2023 and 2027
- £500 million 8.375 per cent. bonds due 2028
- £350 million 6.25 per cent. bonds due 2038
- £1.3 billion revolving credit facility maturing 2026 (fully undrawn)
- £1.0 billion revolving credit facility maturing 2024 (fully undrawn)
- €1.5 billion Euro Commercial Paper programme (£919 million drawn)
- £200 million revolving credit facility maturing 2026 (fully undrawn)
- €700 million 1.75 per cent. bonds due 2023 (£514.6 million of principal outstanding)
- €600 million 0.875 per cent. bonds due 2025 (£527.5 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

[14] 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.

	principal outstanding) • €650 million 2.875 per cent. Bonds due 2029 (£571.5 million of principal outstanding) • £100 million European Investment Bank loan due 2028
SSE Generation Limited	• £1,250 million intercompany loan stock due to SSE
SHEPD	• £173.1 million 1.429 per cent. index linked bonds due 2056 • £650 million intercompany loan stock due to SSE
SEPD	• £350 million 5.5 per cent. bonds due 2032 • £325 million 4.625 per cent. bonds due 2037 • £165.9 million 4.454 per cent. index linked loan maturing 2044 • £900 million intercompany loan stock due to SSE
SHEPD & SEPD	• £250 million revolving credit facility maturing 2025 (fully undrawn)
SSEN Transmission	• £350 million 2.25 per cent. bonds due 2035 • £250 million 1.50 per cent. bonds due 2028 • £250 million 2.125 per cent. per cent bonds due 2036 • £780 million intercompany loan stock due to SSE • £50 million European Investment Bank loan due 2023 • £300 million European Investment Bank Loan due 2026 • £100 million European Investment Bank Loan due 2028 • £175 million 3.13 per cent. Private Placement due 2032 • £175 million 3.2 per cent. Private Placement due 2037 • £750 million revolving credit facility maturing 2025 (£100 million drawn)
SSE Generation Ireland Limited	• €74.8 million (£65.8 million) intercompany loan stock due to SSE

Hybrid Capital

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

On 12 April 2022, SSE issued €1,000 million hybrid capital bonds. This hybrid capital bond has no fixed redemption date, but SSE may at its sole discretion, redeem all (but not part) of this series of bonds at their principal amount on 21 April 2028 and then every 5 years thereafter. SSE has the option to defer coupon payments on the outstanding bonds on any relevant payment date subject to compliance with certain conditions, including no dividend having been declared on SSE's ordinary shares.

The total hybrid capital for the SSE Group as at 31 March 2023 which has not been redeemed or had a call notice issued in relation thereto (with sterling equivalents (where applicable) as at that date) totalled £1.9 billion and was as follows:

SSE	• £600 million Hybrid Equity Capital Bond – perpetual with first call date 14 April 2026

- €500 million (£453 million) Hybrid Equity Capital Bond – perpetual with first call date 14 July 2027
- €1,000 million (£831 million) Hybrid Equity Capital Bond – perpetual with first call date 21 April 2028

Investment and capital expenditure

During the financial year to 31 March 2023, SSE's adjusted investment, capital and acquisition expenditure totalled £2,803.3 million. Included within the amount recorded are acquisitions totalling £642.7 million of which £519.5 million is in respect of the Southern European onshore wind development platform acquisition and £123.2 million in respect of SSE's share of the purchase of Triton Power, both transactions completed on 1 September 2022.

The remaining investment was delivered mainly by SSE's Renewables, Networks and Thermal business units including the highlights discussed below.

In SSEN Transmission, the second year of RIIO-T2 saw deployment of a further £495.5 million of capex (SSE share, excluding 25 per cent. from 1 December 2022 onwards), including £152 million on the Shetland connection with 160km of the total 260km subsea cable which will connect the Shetland islands to the GB Transmission system now installed. In addition, £144 million of spend was invested progressing the East Coast development project which will increase the overhead lines from 132kV to 275kV and ultimately to 400kV, as well as a further £55 million on the Argyll project.

In the final year of RIIO-ED1, SSEN Distribution invested £178 million in the North networks across a broad range of projects, with additional reinforcement spend needed following storm damage in financial year to 31 March 2022. SSEN Distribution's SHEPD network delivered investment of £10 million to upgrade infrastructure at Aultbea-Ullapool and £5 million on Islay to maintain and enhance network reliability to these island communities. Both projects are under way and will be complete by 2023/24. Further south, major capital investment continued in the SEPD network with a total spend of £243 million in the period, including upgrades to the network in Bordon and Alton to enhance resilience and future proof it for predicted uptake in consumer led low-carbon-technology.

Significant expenditure was delivered on SSE Renewables' flagship construction projects, including £339 million of equity drawdown for Seagreen Offshore Windfarm, as the development progresses towards commercial operations over the summer of 2023. Construction of Viking wind farm on the Shetland islands has continued according to plan, with an additional £202 million deployed, the first turbine erected in April 2023 and the project on track to achieve commercial operations in Summer 2024, while all spend on the Dogger Bank wind farm in the year was funded by debt raised at the project level, and therefore not included in SSE's adjusted investment, capital and acquisitions expenditure.

In SSE Thermal, around £88 million was invested on the development of the 50MW Slough Multifuel station, a joint venture with CIP, which is progressing towards handover during 2024/25. As well as around £20 million of residual spend on Europe's most efficient gas fired station at Keadby 2[15], which entered commercial operation on 15 March 2023, limited early development expenditure on Keadby 3 was included within SSE Thermal's reported number.

In November 2021, SSE set out a five-year capex plan that aligned capital allocation with the Group's 2030 Goals and its changing energy mix. This plan, referred to as NZAP, provided the optimal pathway at that time to maximise total shareholder returns from both earnings and asset value growth,

This plan and the targets contained within it, which were partially updated in May 2022 to reflect the evidence of increasing value creation potential, represented a floor, not a ceiling, and were intended to position SSE to take other opportunities as they emerge.

[15] https://www.ssethermal.com/news-and-views/2023/03/europe-s-most-efficient-power-station-enters-commercial-operation-in-the-humber/

In the time since the NZAP was launched, the global green transition has accelerated as countries look towards providing energy security by increasing their renewables and low-carbon generation ambitions. It is against this backdrop, and in light of recent business performance, that SSE now expects to meet or exceed the original NZAP financial targets. SSE has therefore announced 'NZAP Plus' which rolls the plan forward by 12 months and upgrades the targets, ambitions and investment mix to match the enhanced opportunity.

The NZAP Plus is a five-year £18.0 billion capital investment plan to 2026/27 – mainly driven by new growth (c.£2.2 billion or c.20 per cent.) but also updating for supply chain cost increases (c.£2.0 billion or c.15 per cent.), removal of the Distribution minority interest assumption (c.£0.6 billion or c.5 per cent.) and project phasing (c.£0.7 billion or c.5 per cent.). This increase, which collectively represents an increase of over 40 per cent. on the NZAP, is focused on:

(i) Regulated electricity networks (c.50 per cent.), SSEN Transmission (c.30 per cent.) will comprise the majority of expected investment in electricity networks, as the RIIO-T2 baseline investment programme has increased through uncertainty mechanism projects such as the Skye and Orkney subsea links. Whilst the majority of OFGEM's ASTI framework will be delivered towards the end of the decade, the five-year plan also includes early construction costs as these projects are progressed. As such, SSEN Transmission investment is expected to increase to over £5 billion from over £3 billion in the previous plan, net of the 25 per cent. Minority Interest share, driving the gross RAV to between £8–9 billion by the end of 2026/27. Whilst SSEN Distribution (c.20 per cent.) has a lower share of networks investment, the absolute amount of investment is increasing with around £3.5 billion of expected investment compared to around £2 billion in the previous plan. This increase reflects 100 per cent. ownership of the business over the period, and is driven by the £3.6 billion of totex in the RIIO-ED2 Final Determination, which runs from April 2023 to March 2028, with the potential for additional investment in other net zero-aligned projects to meet the increasing electrification demands of consumers. This investment is expected to drive the gross RAV to between £6 billion to £7 billion by the end of 2026/27.

(ii) Renewable energy generation (c.40 per cent.), since November 2021, SSE Renewables has continued to grow its secured pipeline of projects – which currently stands at c.15GW – and also the quality and diversity of these prospects. With a continued focus on financial discipline through targeting attractive returns on new projects, it is expected that around 5GW of additional net capacity will be added across the five-year plan, with net installed capacity of more than 9GW by March 2027. This growth will be fulfilled through a diverse mix of technologies, with an increasing number of attractive battery and solar projects adding to SSE Renewables' core hydro, onshore and offshore wind projects. The incremental capacity, combined with changing mix and inflationary impacts, means around £7 billion of net investment is expected across the five-year period – a £2 billion increase on the expected investment in the previous plan.

(iii) Low-carbon flexible thermal generation and other businesses (c.10 per cent.), the extreme volatility seen in energy markets over the last year has made it clear that investment in flexible, low-carbon thermal generation, such as sustainable biofuels, carbon capture and storage and ultimately hydrogen, will be critical to society in the transition to net zero as a counterbalance for increasing intermittent renewables generation. The NZAP Plus expects to invest up to £2.5 billion in SSE Thermal's increasing pipeline of low-carbon flexible generation prospects, which currently stands at around 5GW across a range of technologies, and deliver expected adjusted operating profits of around £500 million on average across the remaining four years to 2026/27.

The remaining capital investment will be spent across SSE's corporate centre, distributed energy and customers businesses, which remain part of a very deliberate business model with each playing its own role in delivering SSE's net zero-focused strategy.

Sustainability and Climate Change

The United Nation's 17 Sustainable Development Goals ("**SDGs**") are the global blueprint for a sustainable future and provide a powerful framework to align SSE's strategic business objectives with societal ones. Since 2019, SSE has aligned its business strategy to the SDGs most material to its business.

SSE's objective is set in its strategy statement to "create value for shareholders and society", with the United Nation's SDGs providing the framework to guide the creation of that shared value. Within this framework SSE has identified four SDGs which are highly material to the business, and to which it has linked its four core 2030 Goals, and a further three material SDGs, which are focused on the environment and guide the pillars of SSE's environment strategy.

Over 2022/23, SSE undertook a double materiality assessment, supported by a third-party, with the objective of confirming the ESG issues most material to its business activities. Following a process of stakeholder consultation and analysis, the assessment identified 21 sustainability issues material to SSE. The top five of these material issues are outlined below.

1. Carbon emissions.

2. Sustainable energy generation.

3. Affordable and reliable energy.

4. Supply chain management.

5. Skilled workforce.

The results confirm that SSE's approach to sustainability remains focused on the most material issues from both an internal and external perspective. Carbon emissions align to the SDG 13, sustainable energy generation and affordable and reliable energy align to the SDG 7 and SDG 9. The issues arising from supply chain management and a skilled workforce predominantly align to SDG 8.

Aligning with external frameworks SSE is a signatory to the United Nations Global Compact ("**UNGC**"), incorporating the Ten Principles of the UNGC into its approach to business, and aligns disclosures and KPIs in its Sustainability Report to international non-financial reporting standards, including the Global Reporting Initiative and the Sustainability Accounting Standards Board Standards. SSE also actively engages with key investor ESG ratings agencies and investor-led initiatives.

Developments in standardised sustainability disclosures have continued over 2022/23, including the International Sustainability Standards Board consultation on its first two frameworks, expected to be finalised in summer 2023, and the EU Corporate Sustainability Reporting Directive coming into force in January 2023. While these frameworks will not impact SSE this year, SSE continues to monitor developments and remains mindful of these frameworks in its 2022/23 reporting, working towards preparedness for upcoming disclosure requirements.

The SSE Group's 2030 Goals are focused on addressing the challenge of climate change, while ensuring this is done in a just and fair way that creates and shares value with stakeholders. The imperative to accelerate action to deliver net zero was further heightened in 2023, as the Intergovernmental Panel on Climate Change published its 'final warning' on the climate crisis and the urgent action that needs to be taken in order to avoid irreversible damage from climate change.

With updated 2030 Goals in early 2022 reflecting an accelerated decarbonisation pathway, the financial year 2022/23 was marked as a year of delivery. SSE continued to deliver on its net zero ambitions, investing a record £2.8 billion in the first full year of its original 2021 to 2026 £12.5 billion NZAP.

Reinforcing SSE's commitment to the achievement of its 2030 Goals, performance against them is linked to the long-term incentive element of executive remuneration. 2022/23 is the first year progress is measured against

SSE's new, more stretching 2030 Goals announced in February 2022. A summary of this progress is outlined below.

The SSE Group's 2030 Goals are to:

- Reduce Scope 1 carbon intensity of electricity generated by 80 per cent. by 2030, compared to 2017/18 levels, to around 61gCO2e/kWh. The scope 1 greenhouse gas ("**GHG**") intensity of electricity generated remained relatively stable, falling by 2 per cent. between 2021/22 and 2022/23. Progress was made in renewables growth and in developing lower-carbon thermal generation options. While SSE Thermal's Keadby 3 Carbon Capture Power Station project was not progressed to the final stages of the UK Government's Cluster Sequencing Process, a similar development at Peterhead attracted the Government's 'Tier 2' status. Keadby 2 began commercial operations in March 2023, which is Europe's most efficient CCGT. SSE Thermal also secured 10-year capacity contracts – subject to planning permission and final investment decisions – for two new low-carbon power stations fuelled by sustainable biofuel in Ireland.

- Enable at least 20GW of renewable generation and facilitate around two million EV sand one million heat pumps on SSEN's electricity networks by 2030. At the end of 2022/23, there was just over 9GW of renewable capacity connected to SSEN Transmission's network, up from 7.9GW the previous year. In the same period, SSEN Distribution had around 208,500 pure EVs or plug-in hybrid vehicles registered in its licence areas and had connected around 52,500 heat pumps to its networks. SSEN Distribution continued to progress several key innovation projects with partners to support flexible markets and future infrastructure provision for the mass adoption of EVs.

- Build a renewable energy portfolio that generates at least 50TWh of renewable electricity by 2030. Having experienced exceptionally still and dry conditions in the prior year, the SSE Group's renewable generation volumes in 2022/23 rose by 7 per cent., but were 13 per cent. behind plan due to Seagreen project delays and unfavourable weather. SSE Renewables made progress with its key flagship projects. First power was achieved at the 1,075MW Seagreen offshore wind project (49 per cent. SSE stake) and progress was made on Dogger Bank offshore wind farm (3,600MW, 40 per cent. SSE stake). Onshore, the 443MW Viking wind farm was successful in securing a Contract for Difference in July 2022 and construction has progressed well, with the first turbine successfully installed in April 2023.

- Be a global leader for not just transition to net zero, with a guarantee of fair work and commitment to paying fair tax and sharing economic value. Over 2022/23, SSE continued to drive action towards a just transition, publishing two new reports detailing its progress and thought leadership around the topic. SSE's commitment to fair tax was reaffirmed as it became one of the first company to transition from the Fair Tax Foundation's UK HQ Multinational accreditation to the Foundation's new Global Multinational Business Standard. SSE implemented the annual increase in the real Living Wage, which was brought forward by two months in recognition of the cost-of-living crisis and continued to work towards rolling out its Living Hours commitment across its supply chain.

Regulatory Environment

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

As noted above, in June 2023, the DESNZ introduced an amendment to the Energy Security Bill to include a direct reference to the net zero targets in the Climate Change Act 2008, which once in force, will require the regulator to consider how their decisions may assist the Secretary of State in meeting the Government's net zero targets.

The Government is also currently consulting on a "Strategy and Policy Statement" provided for by the Energy Act 2013. This sets out the Government's strategic priorities and other main considerations of its energy policy; the policy outcomes to be achieved as a result of the implementation of that policy; and the roles and responsibilities of those who are involved in implementation of that policy. Once adopted the Authority will be required to have regard to the strategic priorities in the Strategy and Policy Statement when carrying out their functions. They must also carry out their respective regulatory functions in the manner which the Secretary of State or the Authority (as the case may be) considers is best calculated to further the delivery of the policy outcomes.

Networks

The SSE Group delivers energy safely to homes and businesses in GB through its SSEN Distribution and SSEN Transmission businesses. It owns and operates electricity distribution networks in the North of Scotland and central southern England, distributing energy to homes and workplaces across both regions. The SSE Group also owns a majority share in the electricity transmission network in the North of Scotland, a network primarily focused on transporting much of Scotland's renewable generation south to areas of demand. Both distribution and transmission businesses are subject to regulatory controls set by the Authority.

Electricity Transmission

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

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

SSEN Transmission is subject to a control on the prices it can charge and the quality of supply it must provide. Its activities are regulated under the transmission licence pursuant to which income generated is subject to a regulatory framework that provides economic incentives to minimise operating, capital and financing costs. The current electricity transmission price control commenced on 1 April 2021. This covers the five year period until 31 March 2026. The price control is called RIIO-T2.

In the first two years of the current five-year RIIO-T2 Price Control, capital investment in SSEN Transmission totalled around £1.1 billion as at 31 March 2023, with this investment playing a pivotal role in providing the critical national infrastructure required to facilitate the transition to a net zero and to maintain network reliability for the communities SSEN Transmission serves. In addition to the base rate of return on the RAV of SSEN Transmission's transmission assets, RIIO-T2 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-T2 after March 2026. SSEN Transmission expects it will deliver Totex savings over the course of RIIO-T2 which will be shared between SSEN Transmission (36 per cent.), supporting future earnings and electricity customers (64 per cent.), through lower charges than would otherwise have been the case.

Despite the current period of rapid growth in transmission development, SSEN Transmission continues to ensure the reliability of its electricity network, measured through performance in the Energy Not Supplied incentive, where it earned a reliability metric of over 99.9 per cent. The ENS Incentive provides a financial reward, on a sliding scale, if the volume of energy not supplied to customers due to faults is below a pre-determined annual target. If the target is exceeded, a financial penalty is applied.

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

During 2022/23, SSEN Transmission continued its strong record for capital delivery on time and within regulatory allowances. This was achieved through innovation, commitment and a close working relationship with stakeholders and customers. Building on a strong track record for delivering major projects on time and within budget, these projects include major new substations at Alyth, and Peterhead, extensions to existing substations at Kintore and Tealing and a new higher capacity, overhead line in Argyll. These investments will support the increase in the capability across the SSE Group's network and especially the east coast transmission system up to 400kV – supporting the forecast growth in renewables that is looking to connect in the area. SSEN Transmission will continue to work collaboratively with its connection customers to deliver timely and efficient connections to its network.

SSEN Transmission continues to work with stakeholders across the three Scottish island groups (Orkney, the Western Isles and Shetland) to connect and export the substantial renewable electricity generation to the mainland. Construction of the SSE Group's £630 million 600MW High-Voltage Direct-Current transmission link connecting Shetland to the GB transmission system for the first time is on time, on budget and on track for energisation in 2024.

In July 2022 the ESO released its HND, a blueprint for the network investment required to enable Net Zero and the connection of 50GW of offshore wind by 2030. In December 2022, OFGEM confirmed need for this programme of work and that delivery would be by the existing transmission network owners. It has developed licence conditions to support development and delivery, introducing funding mechanisms alongside new financial incentives and output commitments. This programme of work incorporates a Western Isles High-Voltage Direct-Current transmission link, as well as two subsea HVDC link from Peterhead to the east coast of England and a second HVDC link from Spittal in Caithness to Peterhead. A further four onshore 400kV overhead line reinforcements and upgrades complete this first phase of holistic network design.

SSEN Transmission continues to have a number of significant concerns about OFGEM's implementation of competition in transmission. The current proposals are justified on unproven customer benefits and risks delays to the delivery of critical net zero projects. SSEN Transmission is also increasingly concerned that the introduction of competition in the way envisaged will result in a fragmentation of responsibility, risking network reliability and introducing safety concerns.

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

Future Regulatory settlements

In 2022 OFGEM published an open letter setting out the context for the development of the future network price controls. This began the review of how OFGEM should regulate electricity and gas network companies from 2026. OFGEM recognised the scale and range of factors affecting electricity and gas networks development and are considering the most appropriate regulatory framework to support that change. It outlined OFGEM's thoughts on strategic issues across the energy system, recognising the increasing pace of transformational change and the importance of managing uncertainties. It proposed a further review of whether the RIIO framework remains suitable, noting that a growing proportion of investment activity requires decisions to be made in a faster, more flexible, and more coordinated manner.

OFGEM published that follow up review in March 2023 - Frameworks for future Systems and Network Regulation. The consultation set out a high-level strategic case for the review, the role of the Future System

Operator and three high level options (or ‘archetypes’) for future network regulation. SSEN Transmission welcomed the flexibility being considered while affirming the validity of the regulatory principles that underpin RIIO. Rather than transformational change, an evolution of RIIO-2 with an expansion of the ASTI framework will deliver the required outcome.

SSEN Transmission will continue to advocate constructively for a regulatory framework that strikes the right balance between driving efficiency and maintaining a stable investment climate that continues to deliver improvements in network reliability, innovation and customer service and pave the way for the further decarbonisation of the energy system.

Electricity distribution

SSE’s distribution business, Scottish and Southern Energy Power Distribution operates two distribution licenses. 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.

The electricity industry is subject to extensive legal and regulatory obligations and controls with which both SHEPD and SEPD must comply. SHEPD and SEPD are regulated by the Authority. The principal objective and duties of the Authority are described above. The general duties of an electricity distribution licence holder under the Electricity Act 1989 are to develop, operate and maintain an efficient, co-ordinated and economical system of electricity distribution, and to facilitate competition in the supply and generation of electricity. Under the licence, where it is reasonable to do so, each of SHEPD and SEPD is under a statutory duty to connect any customer requiring electricity within its area and to maintain that connection. In each case, its licence may be terminated on 25 years’ notice given by the Secretary of State and may be revoked immediately in certain circumstances including insolvency or failure to comply with an enforcement order made by OFGEM.

Under the RIIO price control framework the revenue that each of SHEPD and SEPD can earn is subject to control. Revenue is also linked to delivery of specific outputs.

SHEPD’s and SEPD’s operations are regulated under their distribution licences pursuant to which income generated is subject to a regulatory framework that provides economic incentives on the quality of service customers experience (reliability, connections, safety, environment and social). OFGEM published its final determinations on the current RIIO-ED2 price control period on 30 November 2022, and SHEPD and SEPD confirmed their acceptance of this determination in early 2023. The final determinations set the base revenue for SHEPD and SEPD for the five years from 1 April 2023 until 31 March 2028.

SSE’s final five-year price control settlement, at £3.6 billion, represents a 22 per cent. increase on allowances compared to RIIO-ED1. There will be additional opportunities to earn up to £700 million of additional funding under uncertainty mechanisms. This reflects the fact that the five-year period will be crucial for meeting climate ambition and OFGEM has recognised the central role distribution network operators will play in delivering a net zero electricity system. Respective net zero targets set by the UK and Scottish governments are expected to as much as treble electricity demand by 2050. New demand on the distribution network will be driven by electrification of the UK’s heat and transport sectors. The SSE Group’s original business plan for RIIO-ED2 estimated that EV ownership will increase from 44,000 today to 5 million by 2050 in SHEPD and SEPD distribution areas alone, with around 1.3 million of these forecast by 2028, alongside 800,000 heat pumps in the same timeframe. The SSE Group is seeing evidence now of acceleration. In the South, the SSE Group is seeing rapid generation and demand growth, with contracted batteries doubling in the last year, and very high demand spikes from large data centres. In the North, the SSE Group’s SHEPD region has seen its distributed generation pipeline triple from 3.7GW to 9.6GW in the last 18 months. There is a clear need for growth to enable net zero and unlock the economy, which will be further supported by the introduction of a net zero duty on OFGEM and a supportive Strategy and Policy Statement.

Looking to the long term, SSEN Distribution has already started a programme of work preparing for the next price control period. This work is being undertaken in the strategic context of the UK Government’s commitments to decarbonise the electricity system by 2025 and the Scottish and UK Government's commitments to decarbonise the whole economy by 2045 and 2050 respectively. This work aligns to SSE Plc's wider strategy and NZAP.

In the shorter term, distribution networks are well placed to accelerate a green economic recovery through targeted investment in network infrastructure. SSEN continues to engage with government and OFGEM on measures that could unlock this investment during RIIO-ED2 and will continue to advocate constructively for a regulatory framework that meets the needs of current and future customers whilst also delivering the investment required to deliver a smart, flexible and equitable transition to net zero.

Electricity Generation

The SSE Group's generation businesses generate electricity under licences issued under the Electricity Act 1989. The electricity generation licences oblige parties to accede to and/or comply with the sets of rules or "codes" ("**Codes**") that govern the operation of the electricity generation market. The main Codes are the Balancing and Settlement Code, the Connection and Use of System Code, the Distribution Connection and Use of System Agreement, the Grid Code and the Distribution Code. The current structure of the competitive UK market was put in place in 2005 when the England and Wales market rules were applied to Scotland, thereby creating the British Electricity Trading and Transmission Arrangements ("**BETTA**"). Significant modifications to the BETTA market operating rules require approval by the Authority.

While the SSE Group's generation businesses operate under such licences, electricity generation in the UK is a competitive activity and is not subject to price controls.

Following the passing of the Energy Act, a number of reforms to the UK electricity market have now been implemented, including the introduction of new long-term contracts (Contracts for Difference) to support low-carbon generation as well as a capacity mechanism to ensure generation capacity adequacy.

SSE Thermal's 893MW CCGT at Keadby 2 in Lincolnshire was commissioned earlier this year. The project, which is adjacent to the existing Keadby 1 station, has an efficiency of around 63 per cent., making it the most efficient plant of its type in the UK and Europe and one of the most efficient in the world[16]. Within the plant is the world-leading Siemens Energy 9000HL 50Hz turbine, which is the most efficient on the market with cutting-edge 3D printed parts in its design. With the ability to reach full power in just 30 minutes, Keadby 2 will provide important flexibility for the electricity system, complementing the increasing amounts of renewable generation on the grid. It has already been providing power to the grid during the commissioning phase. The unit secured a 15-year Capacity Mechanism contract in March 2020, commencing in October 2023, which underpins the business case of Europe's most efficient CCGT.

The environmental impact of the operation of large generating stations in the UK is regulated by the Environment Agency in England and Wales ("**EA**"), Natural Resources Wales in Wales ("**NRW**") and the Scottish Environmental Protection Agency in Scotland ("**SEPA**"). EA and SEPA were both established under the Environment Act 1995, whereas NRW only became operational from 1 April 2013 when it took over the management of natural resources of Wales. The operation of the SSE Group's generating plant in England and Wales and Scotland is carried out under permits issued by the relevant regulator. These permits impose limits on all activities that could impact the environment, including emissions to air and water and the production and disposal of wastes. Formal statutory notices may be issued by EA, NRW and SEPA in relation to any environmental incidents. The EA also issues permits under the EU emissions trading scheme for carbon dioxide emissions and ensures industry compliance with such scheme. The SSE Group's carbon emissions data is externally verified by a UK accreditation service.

Electricity and Gas Supply

The SSE Group's non-domestic electricity and gas supply businesses operate under licences issued under the Electricity Act 1989 and the Gas Act 1986. The provisions of such licences are regulated by the Authority. The

[16] https://www.ssethermal.com/news-and-views/2023/03/europe-s-most-efficient-power-station-enters-commercial-operation-in-the-humber/

principal objective and duties of the Authority are described above. While the SSE Group's supply businesses operate under licence, the supply of electricity and gas in the UK is a competitive activity and is not subject to price controls.

Following the reference by OFGEM to the CMA to investigate the supply and acquisition of energy in the UK, the CMA's Final Report established that wholesale gas-markets are liquid and transparent and do not act as a barrier to entry or lead to other market inefficiencies; vertical integration does not give companies an unfair advantage; there is no unilateral market power in generation; there is no "over-compensation" of generators; and there is no coordination, tacit or otherwise, between household energy suppliers.

Notwithstanding this, suppliers remain under pressure to evolve and adapt in response to affordability concerns, competition and changing customer expectations at a time of considerable regulatory and technological change. This includes the ongoing application of the Government's EBRS and Energy Bills Discount Scheme, the rollout of smart meters (as part of the 'post-2020' smart metering framework that sets installation targets for each supplier until 2025) and the ongoing work towards the launch of market-wide half hourly settlement (targeted for October 2025).

SSE believes strongly in the potential for smart meters to transform its relationship with customers and is focused on delivering its obligation to roll out smart meters in a way which is safe, minimises the costs and maximises the benefits for customers. The majority of suppliers, including SSE, failed to meet their installation targets for 2022 and OFGEM is currently assessing whether to undertake enforcement action. The key challenge remains the need to drive customer demand for smart meters, with non-domestic customers considering several factors including system impact, cost / benefit of any installation, business disruption and safety. SSE has introduced exclusive offers for customers taking a smart meter and SSE continues to support the work of Smart Energy GB to raise awareness and interest in smart meters more generally.

Supplier failures

31 suppliers have failed since 2021 (2021: 27, 2022: 4)[17]. In response, OFGEM has used its existing information gathering powers to require suppliers to provide more detailed, frequent information about their financial performance. This includes both actual and forecast information, including quarterly stress testing using commodity-based scenarios created by OFGEM. In addition, OFGEM has published decisions requiring suppliers to adhere to more stringent financial requirements over the coming year. This includes requirements for domestic suppliers to protect their Renewables Obligation scheme balance, and for all suppliers to report annually to OFGEM on how they are managing their financial and operational risks.

The mutualisation costs of non-payments to social and environmental programmes must be paid for by active suppliers and their customers. These costs are unplanned and have the potential to be significant, OFGEM's changes are, therefore, expected to begin reducing the risk (and consequence) of Renewables Obligation mutualisation, and have the potential to begin reducing the consequential impacts of any future supplier failure.

Non-Domestic "Call for Input"

In February 2023, OFGEM launched a Call for Input regarding the non-domestic retail energy market in response to concerns about increased standing charges, prohibitive contracting terms, unacceptable debt and disconnection experiences and a lack of offers from suppliers to contract with non-domestic customers.

In addition to receiving input from interested stakeholders, OFGEM has used its information gathering powers to require suppliers to provide information to OFGEM regarding their approach to deemed pricing (for example, for customers who are out of contract, or move into new premises), contract offers (including application of security deposits) and debt and disconnection.

OFGEM published an update on 14 March 2023, setting out areas where it continued to hold concerns regarding the operation of the non-domestic market. This included instances of some supplier pricing (standing charges,

17 https://www.ofgem.gov.uk/news-and-views/blog/how-youre-protected-when-energy-firms-collapse

deemed pricing) being higher than could be explained by market conditions, compliance proceedings being commenced against some suppliers where OFGEM holds concerns regarding compliance with the EBRS requirements, and concerns that some sectors (e.g. hospitality) may be receiving fewer contract offers than would historically have been the case.

Scottish Hydro Electric Power Distribution plc

Scottish Hydro Electric Power Distribution plc ("**SHEPD**") was incorporated with limited liability in Scotland under the Companies Act 1985 with registration number SC213460 on 4 December 2000 for an unlimited term, and is a 100 per cent. indirectly owned subsidiary of SSE. SHEPD was originally incorporated as Dunwilco (847) Limited, and on 8 January 2001 it changed its name to SSE Distribution (North) Limited. On 8 March 2001 it changed its name to Scottish Hydro-Electric Power Distribution Limited and on 25 August 2006 it changed again to become Scottish Hydro-Electric Power Distribution plc. On 2 February 2007 the hyphen was dropped and it became Scottish Hydro Electric Power Distribution plc. The address of SHEPD's registered office is Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ and the telephone number of the main switchboard at the registered office is 0800 048 3516. The website of SHEPD is https://www.ssen.co.uk/home/. No information on such website forms part of this Prospectus except as specifically incorporated by reference, see "Documents Incorporated by Reference".

The North of Scotland electricity distribution business of SSE was transferred to SHEPD on 1 October 2001 through a statutory transfer scheme under the Utilities Act 2000. SHEPD's principal activity is the distribution of electricity to around 0.7 million customers in the North of Scotland. It currently has over 50,000 kilometres of electricity mains on commission and also provides electricity connections within SHEPD's licensed area and owns and operates a number of the out of area electricity networks in the rest of Scotland.

SHEPD is the subject of incentive-based regulation by the industry regulator, the OFGEM, which sets the prices that can be charged for the use of the electricity network, the allowed capital and operating expenditure, within a framework known as the price control. In broad terms, OFGEM seeks to strike the right balance between attracting investment in electricity networks, encouraging companies to operate the networks as efficiently as possible and ensuring that prices for customers are no higher than they need to be. OFGEM also places specific incentives on companies to improve their efficiency and quality of service. SHEPD is currently in RIIO-ED2 (Revenue = Incentives + Innovation + Outputs) price control period which runs for five years from 1 April 2023 until 31 March 2028.

SHEPD's strategy and main objectives are to:

- comply fully with all electricity network safety standards and environmental requirements;
- ensure that the electricity network is managed as efficiently as possible, including maintaining tight controls over operational expenditure;
- provide good performance in areas such as reliability of supply, customer service and innovation and thus earn additional incentive-based revenue under the various OFGEM schemes;
- deliver efficient and innovative capital expenditure programmes, so that the number and duration of power cuts experienced by customers is kept to a minimum;
- grow the RAV of the business and so secure increased revenue;
- engage constructively with the regulator, OFGEM, to secure regulatory outcomes that meet the needs of customers and investors; and
- engage with the wider networks industry and other stakeholders to define and implement the process of distribution companies moving to a DSO role.

Board of Directors of SHEPD

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

Name	Title	Significant Outside Activities
Alistair Phillips-Davies	Director	(See *"— Board of Directors of SSE*" above)
Chris Burchell	Director	No significant outside activities
Dinesh Manuelpillai	Director	No significant outside activities
Katherine Marshall	Director	No significant outside activities
Samuel Peacock	Director	No significant outside activities
Eliane Algaard	Director	No significant outside activities
David Rutherford	Non-Executive Director	No significant outside activities
Maxine Frerk	Non-Executive Director	No significant outside activities

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

Scottish Hydro Electric Transmission plc

Scottish Hydro Electric Transmission plc ("**SSEN Transmission**") was incorporated with limited liability in Scotland under the Companies Act 1985 with registration number SC213461 on 4 December 2000 for an unlimited term. SSEN Transmission was originally incorporated as Dunwilco (848) Limited and on 8 January 2001 changed its name to SSE Transmission Limited. On 8 March 2001 it changed its name to Scottish Hydro-Electric Transmission Limited and on 2 February 2007 the hyphen was dropped and it became Scottish Hydro Electric Transmission Limited with a further name change to Scottish Hydro Electric Transmission plc on 25 October 2012. Following a minority stake sale completed in November 2022, SSEN Transmission is owned 75 per cent. Indirectly by SSE plc and 25 per cent. by Ontario Teachers' Pension Plan. The address of SSEN Transmission's registered office is Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ and the telephone number of the main switchboard at the registered office is 0800 048 3516. The website of SSEN Transmission is https://www.ssen-transmission.co.uk/ . No information on such website forms part of this Prospectus except as specifically incorporated by reference, see "Documents Incorporated by Reference".

SSEN Transmission is responsible for maintaining and investing in the transmission network in its area, which comprises around 5,354km of high voltage overhead lines and underground cables covering around 70 per cent. of the land mass of Scotland, serving remote and in some cases island communities. As the licensed transmission company for an area with a significant amount of generation from renewable resources seeking to connect to the electricity network, SSEN Transmission is required to ensure that there is sufficient network capacity for those seeking to generate electricity from renewable and other sources.

SSEN Transmission is the subject of incentive-based regulation by the industry regulator, OFGEM, which sets the revenue that is allowed to be recovered for use of the network, the allowed capital and operating expenditure, within a framework known as the price control. SSEN Transmission is currently in RIIO-T2 price control period which runs for five years from 1 April 2021 until 31 March 2026. In broad terms, OFGEM seeks to strike the right balance between attracting investment in electricity networks, encouraging companies to operate the networks as efficiently as possible and ensuring that prices for customers are no higher than they need to be. The RIIO price controls, which are common to all electricity and gas businesses regulated by OFGEM, sees additional emphasis placed on innovation, incentives and outputs, and require regulated businesses to take on additional risk and reward mechanisms, with the possibility of outperformance resulting in additional income or underperformance resulting in penalties.

SSEN Transmission's strategy and main objectives are to:

- comply fully with all electricity network safety standards and environmental requirements;

- ensure that the electricity network is managed as efficiently as possible, including maintaining tight controls over operational expenditure and the delivery of the capital expenditure programme;
- provide good performance in areas such as reliability of supply, customer service and innovation;
- ensure there is sufficient network capacity for those seeking to generate electricity from renewable and other sources within the licensed network area;
- grow the RAV of the business, and so, secure increased revenue; and
- engage constructively with the regulator, OFGEM, to secure regulatory outcomes that meet the needs of customers and investors.

Board of Directors of SSEN Transmission

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

Name	Title	Significant Outside Activities
Gregor Alexander	Director	(See "— *Board of Directors of SSE*" above)
Robert McDonald	Director	No significant outside activities
Charlotte Brunning	Director	No significant outside activities
Charles Thomazi	Director	No significant outside activities
Rachel McEwen	Director	No significant outside activities
Ronald Fleming	Director	No significant outside activities
Maz Alkirwi	Director	No significant outside activities
Laura Sandys	Non-Executive Director	No significant outside activities
Gary Steel	Non-Executive Director	No significant outside activities

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

Southern Electric Power Distribution plc

Southern Electric Power Distribution plc ("**SEPD**") was incorporated with limited liability in England and Wales under the Companies Act 1985 with registration number 04094290 on 23 October 2000 for an unlimited term and is a 100 per cent. indirectly owned subsidiary of SSE. SEPD was originally incorporated as Dunwilco (828) Limited, and on 10 January 2001 changed its name to SSE Distribution (South) Limited with a further name change to Southern Electric Power Distribution plc on 6 March 2001. The address of SEPD's registered office is No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH and the telephone number of the main switchboard at the registered office is 0800 048 3516. The website of SEPD is https://www.ssen.co.uk/home/. No information on such website forms part of this Prospectus except as specifically incorporated by reference, see "Documents Incorporated by Reference".

The south of England electricity distribution business of SSE was transferred to SEPD on 1 October 2001 through a statutory transfer scheme under the Utilities Act 2000. SEPD's principal activity is the distribution of electricity to over 3.1 million customers in the South of England. It currently has around 79,000 kilometres of electricity mains on commission. SEPD also provides electricity connections within SEPD's licensed area and owns and operates a number of out of area electricity networks in the rest of England and Wales.

SEPD is the subject of incentive-based regulation by the industry regulator, the OFGEM, which sets the prices that can be charged for the use of the electricity network, the allowed capital and operating expenditure, within a framework known as the price control. In broad terms, OFGEM seeks to strike the right balance between attracting investment in electricity networks, encouraging companies to operate the networks as efficiently as possible and ensuring that prices for customers are no higher than they need to be. OFGEM also places specific incentives on companies to improve their efficiency and quality of service. SEPD is currently in RIIO-ED2 (Revenue = Incentives + Innovation + Outputs) price control period which runs for five years from 1 April 2023 until 31 March 2028.

SEPD's strategy and main objectives are to:

- comply fully with all electricity network safety standards and environmental requirements;
- ensure that the electricity network is managed as efficiently as possible, including maintaining tight controls over operational expenditure;
- provide good performance in areas such as reliability of supply, customer service and innovation and thus earn additional incentive-based revenue under the various OFGEM schemes;
- deliver efficient and innovative capital expenditure programmes, so that the number and duration of power cuts experienced by customers is kept to a minimum;
- grow the RAV of the business and so secure increased revenue;
- engage constructively with the regulator, OFGEM, to secure regulatory outcomes that meet the needs of customers and investors; and
- engage with the wider networks industry and other stakeholders to define and implement the process of distribution companies moving to a DSO role.

Board of Directors of SEPD

As at the date of this Prospectus, the members of the Board of Directors of SEPD, all of No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH, UK are as follows:

Name	**Title**	**Significant Outside Activities**
Alistair Phillips-Davies	Director	(See *"— Board of Directors of SSE*" above)
Chris Burchell	Director	No significant outside activities
Katherine Marshall	Director	No significant outside activities
Dinesh Manuelpillai	Director	No significant outside activities
Samuel Peacock	Director	No significant outside activities
Eliane Algaard	Director	No significant outside activities
David Rutherford	Non-Executive Director	No significant outside activities
Maxine Frerk	Non-Executive Director	No significant outside activities

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

TAXATION

General

The comments below are of a general nature and are not intended to be exhaustive. They apply only to persons who are beneficial owners of the Notes, and concern only certain withholding obligations and reporting requirements with respect to the Notes. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). Any Noteholders or Couponholders who are in doubt as to their own tax position should consult their professional advisers. In particular, Noteholders should be aware that the tax legislation of any jurisdiction where a Noteholder is resident or otherwise subject to taxation (as well as the jurisdiction discussed below) may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes

United Kingdom

The comments in this part are based on current United Kingdom tax law as applied in England and Wales, and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs), and are not intended to be exhaustive, in each case as at the latest practicable date before the date of this prospectus. The comments below do not deal with any other transaction implications of acquiring, holding or disposing of the Notes. References in this part to "interest" shall mean amounts that are treated as interest for the purposes of United Kingdom taxation.

1 Interest on the Notes

The Notes issued which carry a right to interest will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 provided they are and continue to be listed on a recognised stock exchange, within the meaning of section 1005 Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Notes will be treated as listed on the London Stock Exchange if they are included in the Official List by the FCA and are admitted to trading on the London Stock Exchange.

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

In all other cases, interest will generally be paid by the relevant Issuer under deduction of UK income tax at the basic rate (currently 20 per cent.), subject to the availability of other reliefs or exceptions or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty. However, there should be no withholding or deduction for or on account of UK income tax if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the intention or effect of which is to render such Notes part of a borrowing with a total term of a year or more. If any amount must be withheld by the relevant Issuer on account of UK tax from payments of interest on the Notes then such Issuer will, subject to the provisions of Condition 9 of the Terms and Conditions of the Notes (including customary exceptions set out therein), pay such additional amounts as will result in the Noteholders or Couponholders receiving an amount equal to that which they would have received had no such withholding been required.

Interest on the Notes constitutes UK source income for UK tax purposes and, as such, may be subject to UK tax by direct assessment even where paid without withholding. However, interest with a UK source received without deduction or withholding on account of UK tax will not be chargeable to UK tax in the hands of a Noteholder who is not resident for tax purposes in the UK unless that Noteholder carries on a trade, profession or vocation in the UK through a UK branch or agency or, in the case of a corporate Noteholder, carries on a trade through a UK permanent establishment, in connection with which the interest is received or to which the Notes are attributable, in which case tax may be levied on the UK branch or agency, or permanent establishment. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

The provisions relating to additional amounts referred to in Condition 9 of the Terms and Conditions of the Notes would not apply if HM Revenue and Customs sought to assess the person entitled to the relevant interest or (where applicable) profit on any Note directly to UK income tax. However, exemption from or reduction of such UK tax liability might be available under an applicable double taxation treaty.

2 Other Rules Relating to United Kingdom Withholding Tax

The reference to "interest" in this United Kingdom Taxation section means "interest" as understood in United Kingdom tax law, and in particular any premium element of the redemption amount of any Notes redeemable at a premium may constitute a payment of interest subject to the withholding tax provisions discussed above. In certain cases, amounts of discount where Notes are issued at a discount could also constitute a payment of interest. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

The Proposed Financial Transaction Tax

On 14 February 2013, the European Commission (the "**Commission**") published a proposal (the "**Commission's Proposal**") for a directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States"**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

The Commission's Proposal has not yet been implemented. However, the Commission has stated that if no agreement was reached by the participating Member States by the end of 2022, the Commission would make new proposals. The Commission stated that it would endeavour to make any such proposals by June 2024, with a view to introduction on 1 January 2026. However, at the current time the status of the participating Member States' negotiations, and the scope and timing of any new proposals by the Commission, remain unclear. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Information Reporting

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the U.K.) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated 24 August 2023 (as amended or supplemented as at the Issue Date in respect of the relevant Notes, the "**Dealer Agreement**") between the Issuers, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuers to the Permanent Dealers. However, each Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of such Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

Each Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuers have agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

Each Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Bearer Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury Regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

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

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of MiFID II; or

(ii) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

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

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the relevant Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Belgium

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*), as amended from time to time (a "**Belgian Consumer**"), and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (2020 Revised Edition) 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 to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

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

General

These selling restrictions may be modified by the agreement of the relevant Issuer (or, if applicable, all the Issuers) and the Dealers following a change in a relevant law, regulation or directive.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms, in all cases at its own expense, and neither the relevant Issuer nor any other Dealer shall have responsibility therefor.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

[SSE plc]
Legal entity identifier (LEI): 549300KI75VYLLMSK856/
[Scottish Hydro Electric Power Distribution plc]
Legal entity identifier (LEI): 549300OPROMBN0FGNC34/
[Scottish Hydro Electric Transmission plc]
Legal entity identifier (LEI): 549300ECJZDA7203MK64/
[Southern Electric Power Distribution plc]
Legal entity identifier (LEI): 549300SR1GYYNBZQGX56/
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €10,000,000,000
Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

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

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation EU No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Singapore Securities and Futures Act Product Classification –** In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.][18]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 24 August 2023 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK Prospectus Regulation**"). This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at the website of the London Stock Exchange http://londonstockexchange.com/exchange/news/market-news/market-news-home.html and during normal business hours copies may be obtained from [●].

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [*original date*] [and the supplemental Prospectus dated [●]] and incorporated by reference into the Prospectus dated 24 August 2023. This document constitutes the Final Terms of the Notes described herein for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK Prospectus Regulation**") and must be read in conjunction with the Prospectus dated 24 August 2023 [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the UK Prospectus Regulation, save in respect of the Conditions which are extracted from the Prospectus dated [*original date*] [and the supplemental Prospectus(es) to it dated [●]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectuses [and the supplemental Prospectuses] are available for viewing at the website of the London Stock Exchange http://londonstockexchange.com/exchange/news/market-news/market-news-home.html during normal business hours copies may be obtained from [●]].

[18] For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

1	Issuer:	[SSE plc]/ [Scottish Hydro Electric Power Distribution plc]/ [Scottish Hydro Electric Transmission plc]/ [Southern Electric Power Distribution plc]
2	(i) [Series Number:]	[●]
	(ii) [Tranche Number:]	[●]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount of Notes:	[●]
	(iii) [Series:]	[●]
	(iv) [Tranche:	[●]]
	(v) [Date on which the Notes become fungible:	Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with [●] on [●]/the Issue Date/ exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [29] below [which is expected to occur on or about [●]].]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i) Specified Denominations:	[●] [and integral multiples of [●] in excess thereof up to and including [●]. No notes in definitive form will be issued with a denomination above [●]
	(ii) Calculation Amount:	[●]
7	(i) Trade Date:	[●]
	(ii) Issue Date:	[●]
	(iii) Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
8	Maturity Date:	[●]
9	Interest Basis:	[[●] per cent. Fixed Rate [, subject to the Step Up Option]] [[EURIBOR/SONIA] +/- [●] per cent. Floating Rate [, subject to the Step Up Option]] [Zero Coupon] [RPI Linked] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [RPI Linked Redemption]
11	Change of Interest or Redemption/Payment Basis:	[●]/Not Applicable
12	Put/Call Options:	[General Put] [Restructuring Event Put] [Change of Control Put] [SSE Restructuring Event Put] [Issuer Call] [Make-Whole Call] [Issuer Maturity Par Call] [Clean-Up Call]

13	[[Date [Board] approval for issuance of Notes obtained:]	[●] [and [●], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note Provisions:		[Applicable/Not Applicable]
	(i)	Rate[(s)] of Interest:	[The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option] (*If the Notes are subject to the Step Up Option*) [The Initial Rate of Interest is] [●] per cent. per annum [payable [annually/semi annually/quarterly] in arrear] [(further particulars specified in paragraph 18 below)]
	(ii)	Interest Payment Date(s):	[●] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[Actual/Actual][Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360/360/360/Bond Basis] [30E/360/Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual (ICMA)]
	(vi)	[Determination Dates:	[[●] in each year/[Not Applicable]]
15	Floating Rate Note Provisions:		[Applicable/Not Applicable] [The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option] [(further particulars specified in paragraph 18 below)]
	(i)	Interest Period(s):	[●]
	(ii)	Specified Interest Payment Dates:	[●]
	(iii)	First Interest Payment Date:	[●]
	(iv)	Interest Period Date:	[●]
	(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(vi)	Business Centre(s):	[●]
	(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
	(ix)	Screen Rate Determination:	
		– Reference Rate:	[EURIBOR][SONIA Compounded Index Rate / SONIA Compounded Daily Reference Rate [with Observation Shift] / [with Lag] where “p” is: *[specify number]* London Business Days *[being no less than [5] London Business*

		Days]] / [insert other applicable reference rates included in terms and conditions]
	– Interest Determination Date(s):	[The date which is ["p"] London Business Days prior to each Interest Payment Date[19] / [2 London Business Days] prior to the first day in each Interest Period][20]
	– Relevant Screen Page:	[●][[Bloomberg Screen Page : SONCINDX][21] / *see pages of authorised distributors for SONIA Compounded Index Rate*] or [Bloomberg Screen Page : SONIO/N Index][22] / *SONIA Compounded Daily Reference Rate as applicable*]
	– Relevant Fallback Screen Page:	[[Bloomberg Screen Page : SONIO/N Index] / *see pages of authorised distributors for SONIA Compounded Daily Reference Rate as applicable*] [•]][23]
	(x) ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	– [ISDA Definitions:	2006]
	(xi) Linear Interpolation:	[Not Applicable]/[Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
	(xii) Margin(s):	(*If the Notes are Sustainability-Linked Notes*) [The Initial Margin is] [+/-][●] per cent. per annum
	(xiii) Minimum Rate of Interest:	[●] per cent. per annum
	(xiv) Maximum Rate of Interest:	[●] per cent. per annum
	(xv) Day Count Fraction:	[Actual/Actual][Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360/360/360/Bond Basis] [30E/360/Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual (ICMA)]
16	Zero Coupon Note Provisions:	[Applicable/Not Applicable]
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) Day Count Fraction in relation to Early Redemption Amount:	[Actual/Actual] [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360]

[19] Use this first option for SONIA notes. The Interest Determination Date should match the last day of the Observation Period.

[20] Use this second option for IBORs or other forward-looking term rates.

[21] Where SONIA Compounded Index Rate applies. See here for details of the authorised redistributors of SONIA data: https://www.bankofengland.co.uk/markets/sonia-benchmark/sonia-key-features-and-policies. The SONIA Compounded Index Rate is also published by Refinitiv and ICE Group.

[22] Where SONIA Compounded Daily Reference Rate applies. See here for details of the authorised redistributors of SONIA data: https://www.bankofengland.co.uk/markets/sonia-benchmark/sonia-key-features-and-policies. The SONIA reference rate is also published by Refinitiv and ICE Group.

[23] Only applicable in the case of SONIA Compounded Index Rate.

		[30/360/360/360/Bond Basis] [30E/360/Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual (ICMA)]
17	RPI Linked Note Provisions:	[Applicable/Not Applicable]
	(i) Rate of Interest:	[●]/[Not Applicable]
	(ii) Base Index Figure:	[●]/[Not Applicable]
	(iii) Reference Gilt:	[●]/[Not Applicable]
	(iv) Index Figure applicable:	[3 months lag/8 months lag]
	(v) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]/[Not Applicable]
	(vi) Interest Determination Date(s):	[●]
	(vii) Interest Period(s):	[●]
	(viii) Specified Interest Payment Dates:	[●]
	(ix) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(x) Business Centre (s):	[●]
	(xi) Minimum Rate of Interest:	[●] per cent. per annum
	(xii) Maximum Rate of Interest:	[●] per cent. per annum
	(xiii) Day Count Fraction:	[Actual/Actual] [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360/360/360/Bond Basis] [30E/360/Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual (ICMA)]

18	Step Up Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Step Up Event:	
	Absolute GHG Emissions Scope 1 & Scope 2 Event	[Applicable/Not Applicable] [(i) Absolute GHG Emissions Reference Year(s): [●] / [●] (ii) Absolute GHG Emissions Percentage Threshold(s): [●]% / [●]%]
	Carbon Intensity (Electricity Generation) Event	[Applicable/Not Applicable] [(i) Carbon Intensity (Electricity Generation) Reference Year(s): [●] / [●] (ii) Carbon Intensity (Electricity Generation) Percentage Threshold(s): [●]% / [●]%]
	Renewable Energy Output Event	[Applicable/Not Applicable] [(i) Renewable Energy Output Reference Year(s): [●] / [●] (ii) Renewable Energy Output Threshold(s): [●] / [●]]
	(ii) Step Up Margin:	(*In relation to an Absolute GHG Emissions Scope 1 & Scope 2 Event:*) [[●] per cent. per annum / Not Applicable] (*In relation to a Carbon Intensity (Electricity Generation) Event:*) [[●] per cent. per annum / Not Applicable] (*In relation to a Renewable Energy Output Event:*) [[●] per cent. per annum / Not Applicable]

PROVISIONS RELATING TO REDEMPTION

19	Call Option:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●]
20	Make-Whole Redemption:	[Applicable/Not Applicable]
	(i) Make-Whole Redemption Date(s):	[●]
	(ii) Make-Whole Amount(s):	
	(a) Specified Time:	[●]
	(b) Redemption Margin:	[●] per cent.
	(iii) If redeemable in part:	[●]
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●]
21	Issuer Maturity Par Call:	[Applicable/Not Applicable]
	Notice period:	[●]

22	Clean-Up Call Option:	[Applicable/Not Applicable]
	(i) Clean-Up Redemption Amount:	[●] per Note of [●] Specified Denomination
23	General Put Option:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●]
24	Restructuring Event Put Option:	[Applicable/Not Applicable]
	(i) Restructuring Event Redemption Amount:	[●]
	(ii) Put Period:	[●]
	(iii) Put Date:	[●]
25	Change of Control Put Option:	[Applicable/Not Applicable]
	(i) Change of Control Redemption Amount:	[●]
	(ii) Put Period:	[●]
	(iii) Put Date:	[●]
26	SSE Restructuring Event Put Option:	[Applicable/Not Applicable]
	(i) SSE Restructuring Event Redemption Amount:	[●]
	(ii) Put Period:	[●]
	(iii) Put Date:	[●]
27	Final Redemption Amount of each Note:	[[●] per Calculation Amount]
	[In cases where the Final Redemption Amount is RPI Linked:	
	(i) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent):	[●]/[Not Applicable]
	(ii) Determination Date(s):	[●]
	(iii) Payment Date:	[●]
	(iv) Minimum Final Redemption Amount:	[●] per Calculation Amount
	(v) Maximum Final Redemption Amount:	[●] per Calculation Amount]
28	Early Redemption Amount:	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption	[●]
29	Indexation:	[Applicable/Not Applicable]
	(i) Base Index Figure:	[●]
	(ii) Reference Gilt:	[●]
	(iii) Index Figure applicable:	[3 month lag]/[8 month lag]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

30	Form of Notes:	Bearer Notes [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Registered Note]
31	New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	[Not Applicable/Yes/No] [Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper][include this text for registered notes] and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [*Include this text if "Yes selected, in which case the Notes must be issued in NGN form*]/ [Whilst the designation is specified as "No" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][include this text for registered notes]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]
32	Financial Centre(s):	[Not Applicable/[●]]
33	Talons for future Coupons to be attached to Definitive Notes:	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]
34	U.S. Selling Restrictions:	[Reg. S Compliance Category 2; C RULES/ D RULES/ TEFRA not applicable]

THIRD PARTY INFORMATION

[[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ....

Duly authorised

PART B—OTHER INFORMATION

1 **LISTING**

(i) Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Main Market of the London Stock Exchange plc and admitted to the Official List of the FCA with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Main Market of the London Stock Exchange plc and admitted to the Official List of the FCA with effect from [●].]
(ii) Estimate of total expenses related to [●] admission to trading:	[●]

2 **RATINGS**

Ratings:	[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]: [[S&P Global Ratings UK Limited: [●]] [Moody's Investors Service Ltd.: [●]] *[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]* *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3 **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

["Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

4 **[Fixed Rate Notes only — YIELD**

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5 **[USE OF PROCEEDS**

Use of Proceeds:	[General corporate purposes/To [finance/refinance] Eligible Green Projects] (*See "Use of Proceeds" wording in Prospectus*)
Estimated net proceeds:	[●]]

6 **[RPI Linked only — PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Information relating to the UK Retail Price Index (all items) published by the Office of National Statistics can be found at www.statistics.gov.uk.]

7 **OPERATIONAL INFORMATION**

ISIN:	[●]
Common Code:	[●]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/[●]]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]

GENERAL INFORMATION

(1) The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or before 29 August 2023. Transactions will normally be effected for delivery on the third working day after the day of the transaction.

(2) Each Issuer has obtained all necessary consents, approvals and authorisations in the UK in connection with the establishment of the Programme. The update of the Programme was authorised by (a) resolutions of the SSE Audit Committee passed on 19 May 2023, (b) resolutions of the Board of Directors of SHEPD passed on 18 July 2023 and 22 August 2023, (c) resolutions of the Board of Directors of SSEN Transmission passed on 18 July 2023 and 15 August 2023 and (d) resolutions of the Board of Directors of SEPD passed on 18 July 2023 and 22 August 2023, respectively.

(3) There has been no significant change in the financial performance or financial position of (a) SSE or the SSE Group since 31 March 2023 to the date of this Prospectus or (b) SHEPD, SSEN Transmission or SEPD since 31 March 2023 to the date of this Prospectus.

There has been no material adverse change in the prospects of (a) SSE or the SSE Group since 31 March 2023 to the date of this Prospectus or (b) SHEPD, SSEN Transmission or SEPD since 31 March 2023 to the date of this Prospectus.

(4) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SSE, SHEPD, SSEN Transmission or SEPD (as the case may be) is aware) involving (a) SSE or any of its subsidiaries or (b) SHEPD, SSEN Transmission or SEPD during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of SSE and/or its subsidiaries or SHEPD, SSEN Transmission or SEPD (as applicable).

(5) Each Bearer Note having a maturity of more than one year, and any Coupon or Talon with respect to such Bearer Note will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

(7) The Legal Entity Identifier code of:

- SSE plc is 549300KI75VYLLMSK856;
- Scottish Hydro Electric Power Distribution plc is 549300OPROMBN0FGNC34;
- Scottish Hydro Electric Transmission plc is 549300ECJZDA7203MK64; and
- Southern Electric Power Distribution plc is 549300SR1GYYNBZQGX56.

(8) The website of the Issuer is https://www.sse.com/. The information on https://www.sse.com/ does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.

(9) For a period of 12 months following the date of this Prospectus, copies of the following documents will be available on the website of SSE at https://sse.com/investors/:

(i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);

(ii) the Agency Agreement;

(iii) the Memorandum and Articles of Association of each Issuer;

(iv) the published annual report and audited consolidated financial statements of SSE for the financial years ended 31 March 2022 and 31 March 2023, respectively, and the audited financial statements of SHEPD, SSEN Transmission and SEPD for the financial years ended 31 March 2022 and 31 March 2023, respectively;

(v) each Final Terms;

(vi) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and

(vii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Prospectus.

The Prospectus is and, the Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be, published on the website of the London Stock Exchange at http://www.londonstockexchange.com.

(10) Ernst & Young LLP, Chartered Accountants (regulated by the Institute of Chartered Accountants in England and Wales) rendered unqualified audit reports on (i) the consolidated financial statements of SSE for the financial years ended 31 March 2022 and 31 March 2023 and (ii) the financial statements of SHEPD, SSEN Transmission and SEPD for the financial years ended 31 March 2022 and 31 March 2023.

(11) The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.

(12) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for any of the Issuers, and/or their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of any of the Issuers and/or their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of any the Issuers or the Issuers' affiliates. Certain of the Dealers or their affiliates that have a lending relationship with any of the Issuers routinely hedge their credit exposure to that Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

REGISTERED OFFICES OF THE ISSUERS

SSE plc
Inveralmond House
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Scottish Hydro Electric Power Distribution plc
Inveralmond House
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Perth PH1 3AQ

Scottish Hydro Electric Transmission plc
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Perth PH1 3AQ

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REGISTRAR, PAYING AGENT AND TRANSFER AGENT

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To the Dealers and the Trustee as to English law

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