



SSE PLC GREEN BOND 2021

DNV ELIGIBILITY ASSESSMENT

Scope and Objectives

SSE plc (hereafter referred to as "SSE") is a FTSE 100 UK-listed energy company with operations and investments across the UK and Ireland. It is involved in the generation, transmission, distribution and supply of electricity, the production, storage, distribution and supply of gas and in the provision of energy-related services.

SSE intends to utilise the proceeds from the issuance of this Bond under the SSE Green Bond Framework 2021 for financing and/or refinancing projects and programmes that fall under Renewable Energy: Transmission, as detailed in [Schedule 1](#).

DNV Business Assurance Services Limited (henceforth referred to as "DNV") has been commissioned by SSE to provide a Green Bond eligibility assessment on the Bond. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of the Bond, the value of any investments in the Bond, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the Bond has met the criteria established on the basis set out below.

Responsibilities of the Management of SSE and DNV

The management of SSE has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform SSE management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work, we have relied on the information and the facts presented to us by SSE. DNV is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by SSE management and used as a basis for this assessment were not correct or complete.

Basis of DNV's opinion

We have adapted our green bond eligibility assessment methodology to create an SSE specific Green Bond Eligibility Assessment Protocol (henceforth referred to as "Protocol") - see [Schedule 2](#). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the Bond has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by SSE in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of an SSE specific Protocol, adapted to the purpose of the Bond, as described above and in Schedule 2 to this Assessment.
- Assessment of documentary evidence provided by SSE on the Bond and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with SSE management, and review of relevant documentation and evidence related to the criteria of the Protocol.
- Documentation of findings against each element of the criteria.

Our opinion as detailed below is a summary of these findings.

Findings and DNV's opinion

DNV's findings are listed below:

1. Principle One: Use of Proceeds.

SSE intends to use the proceeds of this Bond to refinance Eligible Green Projects. The SSE Green Bond Framework 2021 defines Eligible Green Projects as projects that fall into the following categories:

- Renewable Energy: Production
- Renewable Energy: Transmission

For this Bond issuance, the Use of Proceeds will be aimed towards refinancing projects under the Renewable energy: transmission category. The following Scottish Hydro Electric Transmission plc (SHET) projects have been identified as eligible for this Bond; the Shetland HVDC link to the Viking wind farm and a portfolio of projects improving renewable generators connection with the grid. The Projects are presented in Schedule 1.

DNV reviewed the Eligible Green Projects proposed for this Bond and conclude they meet the definition within SSE's Green Bond Framework 2021. DNV also concludes that the above categories fall within the defined category of Renewable Energy (including production, transmission, appliances and products) of the Green Bond Principles 2018.

Furthermore, DNV has reviewed the evidence and confirms that there is no duplication of the Use of Proceeds of this Bond and the previous Bonds issued by SSE.

2. Principle Two: Process for Project Evaluation and Selection.

DNV can confirm the project evaluation and selection has been carried out by the Tax and Treasury Committee led by the Finance Director of SSE. The Committee has ultimate responsibility for reviewing all of SSE's existing projects which have been completed in the past 24 months or will be completed in the near future and determining their suitability to be an Eligible Green Project. The main selection criteria for a project to be eligible are that the project must: contribute to a positive environmental impact, support SSE's commitment to the ongoing reduction of the carbon intensity of its electricity generation and Sustainable Development Goal 13 Climate Action, by generating electricity from low and renewable carbon sources.

DNV has reviewed the evidence and can confirm that the Eligible Green Projects and the governance framework for project selection meets the eligibility criteria defined by SSE in the Bond documentation, including the SSE Green Bond Framework 2021. SSE has defined the process by which Eligible Green Projects are selected and described the key metrics used as well as defining the team responsible for selecting projects which are in line with the Green Bond Principles 2018.

3. Principle Three: Management of Proceeds.

DNV has reviewed evidence showing that the proceeds of the Bond issuance will be directed to the financing and/or refinancing of SSE's Eligible Renewable energy: transmission Projects in the UK. SSE

has also confirmed it will temporarily hold the funds in either deposits within its relationship banking group or liquid money market fund. Funds held on deposit will be monitored by the Tax and Treasury Committee led by the Finance Director of SSE until fully allocated. DNV can also confirm SSE has committed to maintaining a buffer of Eligible Green Projects available for investment. DNV can confirm SSE has a robust process for management of proceeds in line with the Green Bond Principles 2018.

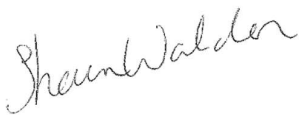
4. Principle Four: Reporting.

DNV can confirm SSE has committed to Allocation Reporting within one year from the date of the Green Bond issuance. In the first report after issuance, allocation of proceeds will be shown up to the level of refinancing capital expenditure on projects already spent, any proceeds that remain on deposit and still to be allocated will be reported the following year(s). DNV can also confirm SSE has committed to providing investors with information on its website regarding the environmental impact of the category of projects as it has done for its previous Green Bond issuances. This information is expected to be: expected annual carbon saved on renewable energy projects; expected renewable electricity capacity and output and electricity flows from transmission investments.

Based on the information provided by SSE and the work undertaken, it is DNV's opinion that the Bond meets the criteria established in the Protocol and that it is aligned with the SSE Green Bond Framework 2021 and the stated definition of green bonds within the Green Bond Principles 2018.

for DNV GL Business Assurance Services UK Limited

London, 09 March 2021

A handwritten signature in black ink that reads "Shaun Walden".

Shaun Walden

Principal Consultant and Project Director
DNV – Business Assurance

A handwritten signature in black ink that reads "Souvik Kumar Ghosh".

Souvik Kumar Ghosh

Principal Reviewer
DNV – Business Assurance

About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 1,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: DESCRIPTION OF ASSETS TO BE FINANCED/REFINANCED THROUGH THE BOND

The proceeds of this Bond are to be directed to the refinancing and financing part of SSE’s portfolio of Eligible Renewable energy: transmission projects, focusing, but not limited to the below projects:

| Project type | Eligible Projects | |
|--------------------------------|---|--|
| Renewable energy: transmission | <ul style="list-style-type: none"> Tealing 275kV Busbar E coast TCA KYLLACHY WINDFARM H1 KYLLACHY WINDFARM Lairg to Loch Buidhe OHL TCA - Creag Riabhach H1 - Creag Riabhach TCA Carradale GSP Reinforcemnt H1 Carradale GSP Reinforcement H1 Carradale BlaryHill Wfarm TCA Carradale Blaryhill WFarm Keith - Blackhillock 132kv Peterhead 400kv busbar (NE400) Stornoway GSP Asset Rep H1 | <ul style="list-style-type: none"> North East 400kv ohl (NE400) East Coast 400kv OHL Upgrade East Coast 275kv OHL Works Tealing PST (ECU2) Kintore substn 400kV (NE400) New Deer SS 400kV mod East Coast 400kv Alyth East Coast 400kv Kintore East Coast 400kv Fetteresso EASTERN SUBSEA HVDC LINK 132kv Skye - Fort Aug reinf SHETLAND HVDC |

SCHEDULE 2: SSE SPECIFIC GREEN BOND ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of proceeds

| Ref. | Criteria | Requirements | Work Undertaken | DNV Findings |
|------|--------------------------|---|--|--|
| 1a | Type of bond | <p>The bond must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> • Green Use of Proceeds Bond • Green Use of Proceeds Revenue Bond • Green Project Bond • Green Securitized Bond | <p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • SSE Green Bond Framework 2021 • Project Crinan Draft Final Terms March 2021 • Eligible Green Projects for SHET • Transmission Eligible Green Projects DNV Grouped • SHET Investor Presentation - Mar 2021 v2 SSE i | <p>The SSE Green Bond falls within the category of a Green Use of Proceeds Bond.</p> |
| 1b | Green Project Categories | <p>The cornerstone of a Green Bond is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the security.</p> | <p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • SSE Green Bond Framework 2021 • Project Crinan Draft Final Terms March 2021 • Eligible Green Projects for SHET • Transmission Eligible Green Projects DNV Grouped • SHET Investor Presentation - Mar 2021 v2 SSE i | <p>We conclude that the legal documentation confirms the utilization of proceeds is appropriately described.</p> |

| Ref. | Criteria | Requirements | Work Undertaken | DNV Findings |
|------|------------------------|---|--|---|
| 1c | Environmental benefits | All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer. | <p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • SSE Green Bond Framework 2021 • Project Crinan Draft Final Terms March 2021 • Eligible Green Projects for SHET • Transmission Eligible Green Projects DNV Grouped • SHET Investor Presentation - Mar 2021 v2 SSE i | The evidence reviewed gives us the opinion that the designated Green Project categories do provide clear environmentally sustainable benefits. |
| 1d | Refinancing share | In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced. | <p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • SSE Green Bond Framework 2021 • Project Crinan Draft Final Terms March 2021 • Eligible Green Projects for SHET • Transmission Eligible Green Projects DNV Grouped • SHET Investor Presentation - Mar 2021 v2 SSE i | We can confirm that the use of proceeds will be directed to the financing and/or refinancing of Renewable energy: transmission projects. It is expected the split will be 75% refinancing, 25% financing. |

2. Process for Project Selection and Evaluation

| Ref. | Criteria | Requirements | Work Undertaken | DNV Findings |
|------|--|--|---|--|
| 2a | Investment-decision process | <p>The issuer of a Green Bond should outline the decision-making process it follows to determine the eligibility of projects using Green Bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles; • The criteria making the projects eligible for using the Green Bond proceeds; and • The environmental sustainability objectives | <p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • SSE Green Bond Framework 2021 • Minutes of TTSC February 2021 Extract | <p>DNV can confirm that the investment decision-making process is well define and is as described within SSE Green Bond Framework 2021.</p> |
| 2b | Issuer's environmental and social and governance framework | <p>In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances, Green Bond investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.</p> | <p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • SSE PLC Annual report 2020 • SSE Sustainability Statement: For the six months to 30 September 2020 • Interim Results: For the six months to 20 September 2020 | <p>We conclude that, from the information provided, SSE's approach to managing environmental sustainability is in line with the objective of the Green Bond and is reflected within SSE's documentation.</p> |

| Ref. | Criteria | Requirements | Work Undertaken | DNV Findings |
|------|----------|--------------|--|--------------|
| | | | <ul style="list-style-type: none"> SSE PLC Sustainability Report 2020 | |

3. Management of proceeds

| Ref. | Criteria | Requirements | Work Undertaken | DNV Findings |
|------|--------------------|--|---|--|
| 3a | Tracking procedure | The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Green Projects. | <p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> SSE Green Bond Framework 2021 | <p>We found that the SSE Green Bond will be tracked in an appropriate manner and is attested to by a formal internal process.</p> <p>DNV also reviewed evidence and can confirm that there is no duplication of the Use of Proceeds between the Bond issuance under the SSE Green Bond Framework 2017 and the Green Bond Framework 2019.</p> |
| 3b | Tracking procedure | So long as the Green Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period. | <p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> SSE Green Bond Framework 2021 | <p>We conclude that there is a clear process in place for the tracking of the balance taking into account disbursements.</p> |

| Ref. | Criteria | Requirements | Work Undertaken | DNV Findings |
|------|------------------------|---|---|--|
| 3c | Temporary holdings | Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds. | In addition to reviewing the evidence below, we had several detailed discussions with SSE. Evidence reviewed: <ul style="list-style-type: none"> SSE Green Bond Framework 2021 | We conclude that SSE has made clear how it will manage any unallocated proceeds. |
| 3d | Over-collateralisation | n/a | In addition to reviewing the evidence below, we had several detailed discussions with SSE. Evidence reviewed: <ul style="list-style-type: none"> SSE Green Bond Framework 2021 | DNV has reviewed the evidence and concludes that there is no duplication of the Use of Proceeds between the Bond issuance. We also conclude the SSE Green Bond has sufficient collateralisation and will seek to maintain a ratio of 1.2:1 of over collateralised eligible green bond assets. |

Reporting

| Ref. | Criteria | Requirements | Work Undertaken | DNV Findings |
|------|----------------------|---|---|--|
| 4a | Periodical reporting | In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond proceeds have been allocated including - when | In addition to reviewing the evidence below, we had several detailed discussions with SSE. Evidence reviewed: <ul style="list-style-type: none"> SSE Green Bond Framework 2021 SSE PLC Sustainability Report 2020 (page 83) | We can confirm SSE will report on their website and have had the reporting for a previous Green Bond issuance externally assured. Section 4 Reporting of the SSE Green Bond Framework sets out what will be reported and where including relevant |

| Ref. | Criteria | Requirements | Work Undertaken | DNV Findings |
|------|----------|--|-----------------|---|
| | | <p>possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.</p> | | <p>environment metrics related to the Eligible Green Projects, for instance:</p> <ul style="list-style-type: none"> • Carbon saved • Expected electricity capacity and output; and • Electricity flows from transmission investments |