Introduction to Corporate Governance

A YEAR OF CHANGE

Dear Shareholder,

The range of developments which SSE and its individual businesses have been required to navigate in 2018/19, and the many decisions which have called for in-depth consideration, have arguably resulted in an unprecedentedly diverse Board agenda.

Many of these developments and decisions remain subject to, and have been informed by, the dynamic market, political and regulatory context in which SSE operates. In line with this, the Board has naturally spent time monitoring and discussing issues such as: possible Brexit outcomes; domestic energy price caps; plans for the RIIO-T2 price control; the income mechanisms as set out by the CfD auction process; and the current standstill period of the UK electricity generation Capacity Market.

Closer to home there have been internal matters for SSE to deal with, specifically developments relating to the future of SSE Energy Services and the operating loss incurred by SSE’s Energy Portfolio Management (EPM) business.

Long-term focus

In order to ensure the continued relevance of SSE’s strategy, discussions centred on the long-term have formed part of every Board meeting. We also focused on some key aspects of strategy, in addition to our annual dedicated strategy session.

As announced last year, SSE has evolved its strategy to focus on the core, low-carbon businesses that are best placed to seize the opportunities presented by decarbonisation. As an established developer, operator and owner of world-class renewable energy and regulated electricity networks assets, SSE is well-equipped to deliver value through the execution of relevant and supporting objectives.

Evidence of this value creation can be seen in the excellent progress of SSE’s investment and capital expenditure programme, which has seen a spend of £1.42bn in the period. This has been further supported through ongoing review of the composition and mix of our core and complementary business portfolio which has resulted in sustainable capital recycling and well-timed disposals. With an unwavering focus on the future needs of both customers and society, innovation has been pursued in the development of solutions to complement electrification and to support local energy solutions through electricity network flexibility. These activities not only support the ability to remunerate shareholders’ investment through our clear financial objective – as we recommend a full year dividend of 97.5p – but also ensure legitimacy of operations as we continue to deliver in the public interest.

Full details of how we have overseen the implementation of the above, and how we continue to ensure that the appropriate resources and governance are in place to create sustainable value are set out on pages 81 to 87.

Stakeholder engagement

Decision-making does not occur in isolation. Constructive, transparent and open engagement with our stakeholders outside of the Boardroom, therefore forms a critical aspect of Board-level activity and is a social responsibility for any organisation of our size and role. We continue to provide details throughout the Directors’ Report of the stakeholder matters that are considered in our decision-making. I hope that you find this informative and representative of the value we place on understanding these views. On page 95, we further discuss the remit of our newly-created role of non-Executive Director for Employee Engagement, to which Sue Bruce was appointed in November 2018.

You are, of course, a key stakeholder and I am appreciative of the opportunity and time which has been dedicated to increased engagement in this financial year. Our meetings and conversations have allowed positive discussion surrounding progress and future plans, but have also expectedly covered the aforementioned developments relating to SSE Energy Services and the EPM operating loss. As a Board we acknowledge these unexpected outcomes, and set out on pages 88 to 92 are details of the focus that was provided to these matters and actions which have subsequently been agreed in recognition of your views.

Business purpose

The credibility and longevity of any business goes beyond pure financial gain; a principle long-embodied and supported by SSE’s strong values-based culture and approach to environmental, social and governance issues. During the year we refreshed SSE’s stated purpose to align with what our holistic business and sustainability plans set out to achieve; to provide the energy needed today while building a better world of energy for tomorrow. SSE’s Sustainability Report which is published alongside this Annual Report, contains further information on our social contract, contribution and impacts, including the targets which have been set under a revised Board-approved framework, based on the adoption of four UN Sustainability Goals.

The externally-led British Academy research project, “Future of the Corporation”, seeks to examine the critical elements and principles which will underpin the future relationship between business and society, and as a member of the Corporate Advisory Group, I have gathered valuable insights on social expectation and accountability. To ensure
that we, at SSE, continue to support and earn public trust through our own operations, reflections to inform future work will be shared in a planned session with SSE’s senior leaders in the coming months.

**Board effectiveness**

In respect of our operations as a Board, we continue to reflect upon our collective skills and experience and our ability to effectively lead SSE through its ongoing transition. Through the dedicated work of the Nomination Committee, I am very pleased to have welcomed both Tony Cocker and Melanie Smith to the Board, who joined us as non-Executive Directors during the period. Both Tony and Melanie bring detailed expertise in their respective areas of the energy sector and strategy, and have already provided highly valuable contributions to our work. As these appointments form part of considered succession plans, I must once again thank both Katie Bickerstaffe and Jeremy Beeton for all of the work throughout their tenure following their stepping down from the Board. Full details of the processes which have supported the above changes can be found on page 101 and are accompanied by a description of the tailored inductions on page 97.

A key mechanism to inform our future development plans is the annual Board evaluation, and following two successive internally-led processes, in this year, we engaged in an externally-facilitated assessment. This comprehensive process spanned nine months and provided the opportunity to observe and appraise our operations over a time-period that would provide both meaningful and measured outcomes. The conclusion that we continue to operate effectively was welcomed, however we continue to recognise the value of the objective findings and suggested areas for improvement. Pages 98 to 99 explain in full the process that was adopted and how we have integrated agreed actions into our forward plan of work.

**Board Committee support**

The Board Committees continue to inform, underpin and support many aspects of the Board’s role, and although the key focus areas for each Committee remain unchanged, priorities throughout the year continue to respond to the needs of the Company and relevant governance developments. Each Board Committee presents its own detailed report in the pages that follow, with some of the key highlights which have been reported to, and where appropriate, considered by the Board, set out below.

The Nomination Committee has continued to provide increased focus and scrutiny on matters of inclusion and diversity, recommending changes to the supporting Board-level policy and the adoption of an ambition for female membership, both of which were subsequently agreed. To ensure that a capable internal pipeline is in place, plans were also reviewed in respect of talent development and internal progression.

Outside of routine annual business, the Audit Committee led the comprehensive competitive tender process which resulted in the appointment of Ernst and Young LLP as SSE’s External Auditor. This matter remains subject to shareholder approval, which will be considered at the AGM on 18 July 2019. In respect of Internal Audit, an external quality assessment to confirm the effective role of the Internal Audit function, was further overseen and reviewed.

The Energy Markets Risk Committee, which was newly established in 2018/19, presents its first report on page 112. In response to a revised approach to managing commodity price exposure, this forum will oversee the period of transition and report to the Board on progress.

Safety is SSE’s No. 1 value and priority, and continues to be overseen alongside health and environment matters by the Safety, Health and Environment Advisory Committee. Significant work has been undertaken to align the operations of the Committee with business needs and stated objectives, which has been supported in its initial phase through increased on-site engagement. Against a backdrop of improved safety performance, the Committee continues work to understand and address the key issues, with the aim to support an enduring position.

Constructive discussion surrounding executive remuneration outturns and the Group-wide pay environment continue to be delegated to the Remuneration Committee. Following proactive shareholder engagement, and in line with the three-yearly review, SSE’s Remuneration Policy will be put forward for shareholder consideration at the 2019 AGM. The full Policy, and details of the decisions to: provide no award under the Annual Incentive Plan; apply a salary freeze to all Executive Directors for the year under review; and hold the level of non-Executive Director fees, are covered in the Report that follows.

**UK Corporate Governance Code**

After a period of consultation, a highly notable development within the year was the release of the 2018 UK Corporate Governance Code (the 2018 Code). The changes presented will apply to SSE for the next reporting period, and the stated aim of detailed Board review was to agree forward-looking plans to support compliance where appropriate. Details of the work which was undertaken and of SSE’s anticipated position are presented on pages 86 to 87. One area covered was the revised 2018 Code position regarding the tenure of the Company Chair. Page 103 describes the process which was followed to preserve the independence of related discussions, and of each individual Director.

Confirmation of our full compliance with the UK Corporate Governance Code 2016 (the 2016 Code) for the year under review is set out on page 78.

I am pleased to present the report of our work and look forward to engaging further on our role in governing and supporting SSE’s long-term success.

Richard Gillingwater CBE
Chair, SSE plc
21 May 2019
**Richard Gillingwater CBE**  
Chair

**Alistair Phillips-Davies**  
Chief Executive

**Gregor Alexander**  
Finance Director

**Board and Board Committee membership and attendance**

<table>
<thead>
<tr>
<th>Role</th>
<th>Chair</th>
<th>Executive Directors</th>
<th>Non-Executive Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Gillingwater CBE</td>
<td>7/7</td>
<td>6/6</td>
<td>2/2</td>
</tr>
<tr>
<td>Alistair Phillips-Davies</td>
<td>6/6</td>
<td>2/2</td>
<td>7/7</td>
</tr>
<tr>
<td>Gregor Alexander</td>
<td>7/7</td>
<td>2/2</td>
<td>7/7</td>
</tr>
</tbody>
</table>

**Date of appointment**

- Non-Executive Director since May 2007  
- Appointed Deputy Chair in January 2015 and has been Chair since July 2015  
- Executive Director since January 2002 and Chief Executive from July 2013  
- Finance Director since October 2002

**Skills and experience**

- Richard has extensive and diverse leadership experience, and a sound practical understanding of corporate governance, having held the position of Chair, Senior Independent Director and non-Executive Director across a number of private and public sector organisations, including Janus Henderson, the Shareholder Executive and CDC Group plc.  
- In conjunction with a City career spanning over 20 years, he has a deep appreciation of capital markets and investor sentiment which he brings to Board deliberations, in addition to financial expertise. Matters in relation to the long-term direction of the Company, including strategic development, are further supported by a long-standing, and developed knowledge of the energy sector and the environment in which SSE operates. Richard is committed to engaging with the business and to ensuring employee views are heard, understood and considered.

- Alistair has been with SSE since 1997 and possesses a detailed knowledge of each business area having held a variety of senior roles within the Company. Prior to joining the Board in 2002 as Energy Supply Director, Alistair was Director of Corporate Finance and Business Development.  
- In 2010, he became Generation and Supply Director, before Deputy Chief Executive in 2012, then Chief Executive in 2013. Alistair’s career progression has supported the development of sound leadership skills, and a considered and strategic approach to business deliberations. He has a detailed understanding of the energy markets in Great Britain and Ireland, including the trends and factors which can have a material impact on the operating environment, such as the political and regulatory environment.  
- He also holds a broad knowledge of markets across Europe as a former Vice President of Eurelectric. Through regular and proactive engagement, he understands stakeholder views and concerns, and continues to provide focus to people development and efficient operations in order to develop SSE's capabilities for future growth.

- Gregor has been instrumental in the development of SSE's financial strategy to create long-term value, including through sustainable debt financing, and the commitment to Fair Tax and the Living Wage. The Board further benefits from Gregor’s regulatory insight through his role as Chair of Scottish and Southern Energy Power Distribution and of Scotia Gas Networks. His experience of operating within an evolving energy sector, including an understanding of the risks and opportunities which this can present, is highly valued.

**Key external appointments and changes during the period**

- Chair of Henderson Group plc  
- Senior Independent Director of Whitbread plc (appointed in June 2018)¹  
- Stepped down as Senior Independent Director of Helical Bar plc in July 2018¹  
- Stepped down as Pro-Chancellor of Open University in December 2018

- Executive Director since January 2002 and Chief Executive from July 2013  
- Member of Scottish Energy Advisory Board  
- Member of the Accenture Global Energy Board  
- Stepped down as Vice President of Eurelectric in May 2019

- Finance Director since October 2002  
- Chair of Scotia Gas Networks Ltd  
- Non-Executive Director of Stagecoach Group plc

¹ The changes to the external appointments held by Richard Gillingwater which have occurred during the period were previously reported in the 2018 Annual Report.

² Martin Pibworth’s title changed from that of Wholesale Director to Energy Director during the period. There was no change in his role, function or responsibilities as a result.
### Executive Director since September 2017

**Martin Pibworth**  
Energy Director  
- Member of Energy UK Board
- Senior Independent Director of Barclays plc  
- Chair of The Edington Group Ltd

**Crawford Gillies**  
Senior Independent Director

**Dame Sue Bruce DBE**  
Non-Executive Director

**Tony Cocker**  
Non-Executive Director

### Non-Executive Director since August 2015

**Gregor Ewan**  
Non-Executive Director

**Martin Dawes**  
Non-Executive Director

**Bill Guyton**  
Non-Executive Director

**Gillian MacPherson**  
Non-Executive Director

**Gregor Murray**  
Non-Executive Director

**Jessica Perel**  
Non-Executive Director

**Andrew Scouler**  
Non-Executive Director

**Richard Wilkins**  
Non-Executive Director

### Non-Executive Director since September 2013

**Dame Janet Duff**  
Non-Executive Director

**Martin Gillingwater CBE**  
Non-Executive Director since July 2015  
- Appointed Deputy Chair in January 2018  
- Stepped down as Pro-Chancellor of Open University in December 2018  
- Senior Independent Director  
- Chair of Henderson Group plc

**Meredith Phillips-Davies**  
Non-Executive Director since January 2002  
- Chief Executive from 2012 to 2013

**Alistair Macdonald**  
Non-Executive Director

**Martin Muscat**  
Non-Executive Director

**Andrew Phillips**  
Non-Executive Director

**Dame Sue Marsh OBE**  
Non-Executive Director

**Phil Oakey**  
Non-Executive Director

**Juliette Ogilvy**  
Non-Executive Director

**Alex槟**  
Non-Executive Director

**William Phillips**  
Non-Executive Director

**Sue Robson**  
Non-Executive Director

**Sue Horrocks**  
Non-Executive Director

**Stuart Williams**  
Non-Executive Director

### Non-Executive Director since May 2018

**Tony Judge**  
Non-Executive Director

**Sue Towell**  
Non-Executive Director

**Tony Grimwood**  
Non-Executive Director

**Kate Pilkington**  
Non-Executive Director

**John Bacon**  
Non-Executive Director

**Peter Dawkins**  
Non-Executive Director

**Martin Bulmer**  
Non-Executive Director

**Neil Philpott**  
Non-Executive Director

**Dame Henrietta Keith-Lucas DBE**  
Non-Executive Director

**Hugh O'Sullivan**  
Non-Executive Director

**Jenny Searle**  
Non-Executive Director

**Dame Sue Acland DBE**  
Non-Executive Director

**Richard Drury**  
Non-Executive Director

**John Wilson**  
Non-Executive Director

**Tony Merrett**  
Non-Executive Director

**Stephanie Ramo**  
Non-Executive Director

**Ann Swain**  
Non-Executive Director

**Charlotte Collins**  
Non-Executive Director

**Sarah Vowles**  
Non-Executive Director

**Michael Crossan**  
Non-Executive Director

**Paula Charnley**  
Non-Executive Director

**Sue Hastings**  
Non-Executive Director

**Susan Milne**  
Non-Executive Director

**Lucy Stock**  
Non-Executive Director

**Liz White**  
Non-Executive Director

**Sue Lattimer**  
Non-Executive Director

**Caroline Thompson**  
Non-Executive Director

**Dame Carol Black DBE**  
Non-Executive Director

**Dame Amanda Spielman DBE**  
Non-Executive Director

**Catherine Flanders**  
Non-Executive Director

**Dame Susan Hockman DBE**  
Non-Executive Director

**Dame Anne Longfield DBE**  
Non-Executive Director

**Dame Susan Williams DBE**  
Non-Executive Director

**Kate Forbes**  
Non-Executive Director

**Juliette Ogilvy**  
Non-Executive Director

**Alistair Macdonald**  
Non-Executive Director

**Martin Gillingwater CBE**  
Non-Executive Director since July 2015  
- Appointed Deputy Chair in January 2018  
- Stepped down as Pro-Chancellor of Open University in December 2018  
- Senior Independent Director  
- Chair of Henderson Group plc  
- Stepped down as Vice President of Eurelectric in May 2019  
- Member of Scottish Energy Advisory Committee

**Martin joined SSE in 1998 as an energy trader, which was followed by a series of commercial roles, before becoming Managing Director, Energy Portfolio Management, and a member of SSE’s then Management Board, in 2012. In 2014, he was appointed Managing Director, Wholesale, and a member of SSE’s Group Executive Committee, taking on responsibility for SSE’s electricity generation portfolio and associated capital investment programme. Martin has overseen the development of SSE’s diverse and flexible generation portfolio including its growing renewable fleet. Having joined the Board in 2017, as Energy Director, he leads on: SSE’s wholesale businesses, the supply of energy and related services to industrial and commercial customers; and SSE’s operations in Ireland. He brings significant knowledge of energy markets and experience of commercial, technical and operational matters, with his innovative approach to strategy, in seeking opportunities to create future value, being a key Board attribute.**

**Crawford has substantial international and cross-sector experience, including in utilities, which has been gained through a career of over 30 years. With this, he brings expertise in the development of corporate strategy for multi-business organisations, and through roles in both the private and public sector, including management consultancy, finance, risk, and trade and industry, he brings strong commercial knowledge to the Board. This experience provides SSE’s businesses with the benefit of extensive external insight and breadth of outlook. Having served on the Board and Board Committees of a number of organisations, including in the position of Chair, and twice as a FTSE 50 Senior Independent Director, he has the oversight and understanding required for his current role. This includes an established view and understanding of governance and boardroom dynamics.**

**Sue has extensive public sector experience from a career which spanned almost 40 years, holding a variety of roles in local government, including the position of Chief Executive at East Dunbartonshire Council, Aberdeen City Council, and latterly the City of Edinburgh Council. Her strategic and operational experience of leading organisations with large numbers of employees, significant assets, construction projects, and an important place in the community they serve, make her an excellent source of knowledge on these matters for the Board and experienced in stakeholder engagement. This experience in collating and understanding a diverse range of views is evident in her roles as Remuneration Committee Chair and non-Executive Director for Employee Engagement. Sue has also held a number of Board and Board Committee positions in organisations across the arts, education and charitable sectors.**

**Tony possesses highly detailed knowledge of the energy sector gained through a 20 year career with E.ON. He brings wide-ranging and relevant experience to the Board regarding insight into technical and operational matters, including energy infrastructure and assets, and a comprehensive understanding of commodity markets, energy trading and risk. Latterly, as CEO and Chair of E.ON UK plc, which comprised E.ON’s main businesses in the UK, Tony oversaw the supply of energy to household customers, businesses and communities, digital transformation programmes and the smart meter roll-out. This long-standing industry experience in combination with his current external appointments, enhances the Board’s knowledge of trends relevant to SSE’s operations and of utilities regulation. Tony has experience in strategic planning and development through early consultancy roles, and in energy and utility stakeholder management and governance, through his current non-Executive roles.**

### Committee membership as at 31 March 2019

<table>
<thead>
<tr>
<th>Board Meetings</th>
<th>Safety, Health and Environment Advisory Committee</th>
<th>Nomination Committee</th>
<th>Audit Committee</th>
<th>Remuneration Committee</th>
<th>Energy Markets Risk Committee</th>
<th>Committee Chair</th>
</tr>
</thead>
</table>

**INDEPENDENT NON-EXECUTIVE DIRECTORS**
Board of Directors continued

INDEPENDENT NON-EXECUTIVE DIRECTORS

Peter Lynas
Non-Executive Director

Helen Mahy CBE
Non-Executive Director

Melanie Smith
Non-Executive Director

Board and Board Committee membership and attendance

<table>
<thead>
<tr>
<th>Committee</th>
<th>Peter Lynas</th>
<th>Helen Mahy CBE</th>
<th>Melanie Smith</th>
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</thead>
<tbody>
<tr>
<td>BM</td>
<td>7/7</td>
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<tr>
<td>NC</td>
<td>6/6</td>
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<tr>
<td>AC</td>
<td>5/5</td>
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<tr>
<td>ER</td>
<td>4/4</td>
<td>2/2</td>
<td>1/1</td>
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<td>SHE</td>
<td>2/2</td>
<td>2/2</td>
<td>1/1</td>
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</table>

Date of appointment

- Non-Executive Director since July 2014
- Non-Executive Director since March 2016
- Non-Executive Director since January 2019

Skills and experience

Peter has over 30 years business experience spanning all areas of finance. As a Fellow of the Chartered Association of Certified Accountants and through his current role as Finance Director, BAE Systems plc, he brings recent and relevant financial experience to the Board and strong direction to the Audit Committee. Within BAE he has previously served as Director, Financial Control, Reporting and Treasury, and his early career involved roles within GEC Marconi, where he was appointed Finance Director of Marconi Electronic Systems prior to the completion of the British Aerospace/Marconi merger. This background affords international experience, in addition to an understanding of long-term project management and delivery, including investment appraisal and contracting. Peter also brings pensions experience having been Chair of the trustee Board of a major UK scheme.

Helen’s depth of knowledge in relation to the energy sector brings a valuable external perspective to discussions. Through her previous role of Company Secretary and General Counsel at National Grid plc, she has a comprehensive understanding of the legal, compliance, governance and risk considerations relevant to SSE, and of the regulatory environment in which its businesses operate. As a member of the steering committee of the Parker Review into the Ethnic Diversity of UK Boards, a patron of the charity Social Mobility Business Partnership, and an Equality and Human Rights Commissioner, she brings a detailed knowledge of, and interest in, inclusion and diversity and brings a firm cultural focus to the Board. Helen has held previous directorships with Aga Rangemaster plc, Stagecoach Group plc, SVG Capital plc and was formerly chair of MedicX Fund Limited, and through these cross-sectoral and international roles has experience in investor and stakeholder engagement.

Melanie has over 20 years in-depth strategy experience, advising on strategy and transformation to corporate retail and consumer clients worldwide, including international market growth and M&A. She is currently Strategy Director for Marks & Spencer with responsibility for group strategy, M&S Bank and M&S Services, and has held previous roles as Global Strategy and Marketing Director at Bupa, and Chief Operating officer at Talktalk. This career experience, in conjunction with insight from her time as partner in McKinsey’s Consumer practice, brings deep commercial and customer experience across multiple goods and services categories, including insurance, telco and energy. Having overseen and led operational teams, she brings further valuable perspectives surrounding people leadership and development.

Key external appointments and changes during the period

- Group Finance Director of BAE Systems plc
- Member of the BAE Systems Inc Board in the US
- Chair of The Renewables Infrastructure Group Limited
- Non-Executive Director of Bonheur ASA
- Deputy Chair and Senior Independent Director of Primary Health Properties PLC (appointed in March 2019)
- Equality and Human Rights Commissioner
- Stepped down as Chair of MedicX Fund Limited in March 2019
- Strategy Director, Marks and Spencer
- Trustee at Beat
- Advisory Board member of Manaia

BOARD CHANGES

The below changes to Board membership have taken place since 1 April 2018:
- Katie Bickerstaffe stepped down on 30 April 2018.
- Jeremy Beeton stepped down on 19 July 2018 and attended 3/3 Board meetings prior to this in the reporting period.
SSE’s long-term success is founded upon a clear vision, purpose and supporting strategy, which considers the views and needs of its many stakeholders. As areas set by the Board, the Directors require breadth of knowledge and complementary skills, in order to confirm that agreed priorities and objectives remain appropriate and can be delivered in a sustainable way. The alignment and balance of experience within the Board is assessed annually through the Board evaluation process, and the findings from 2018/19 which confirm the ongoing effectiveness of the Board are set out on pages 98 to 99. Related considerations surrounding Board composition, which take account of these findings, are matters delegated to the Nomination Committee, and further details of how the Committee approaches this work can be found on pages 100 to 103.

Set out below is confirmation of how the Nomination Committee, and Board, judge that the current attributes and balance of experience brought by the Directors continue to support SSE, and promote responsible governance of the Company, its strategy and operations. Whilst each Board Director has a solid understanding of, and valuable contribution to make to all of the identified priority areas set out below, this analysis seeks to demonstrate how the complementary and specific skills and experience of each independent non-Executive Director, support differing aspects of Board considerations.

<table>
<thead>
<tr>
<th>Helping SSE be a leading energy Company in a low-carbon world</th>
<th>Skills required</th>
<th>Board members</th>
</tr>
</thead>
</table>
| SSE’s businesses operate in a dynamic, and at times complex, political, regulatory and competitive environment, with each individual business having unique challenges. Reading these external trends is crucial for making strategic choices which create value. | Understanding of the energy sector, commodity markets, capital markets, policy context relating to energy and the environment, and utilities regulation. | Sue Bruce  
Tony Cocker  
Helen Mahy |
| SSE has well-defined strategic priorities which are founded upon developing, operating and owning energy and related infrastructure and services, in a low-carbon world. | Experience in strategy development and implementation, large capital project management, and commercial insight including supply chain and operations. | Sue Bruce  
Tony Cocker  
Crawford Gillies  
Peter Lynas  
Melanie Smith |
| SSE is committed to creating value for shareholders and providing a stable return on investment through sustainable financing, suitable corporate transactions and the pursuit of appropriate growth opportunities. | Financial literacy including corporate finance, appraisal of project economics and funding, corporate transactions and partnering experience, and insight into global capital markets. | Tony Cocker  
Crawford Gillies  
Peter Lynas  
Helen Mahy  
Melanie Smith |
| SSE is focused on responsible and ethical operations, and being a Company that people want to work for and with, and invest in. | Consumer and commercial knowledge, understanding of investor markets, experience of meaningful stakeholder engagement and understanding of the social contract. | Sue Bruce  
Crawford Gillies  
Peter Lynas  
Melanie Smith |
| SSE’s diverse portfolio of operations, including the delivery of large scale projects, rely on the dedication and skill of its employees, and the support of many contractors, all of whom are based within in a wide range of working environments. | Recognition of the conditions required to ensure safe working and a positive business culture generally, experience of leading large organisations, and acknowledgement of the responsibilities to, and areas of importance to the broader workforce. | Sue Bruce  
Tony Cocker  
Helen Mahy  
Melanie Smith |
| SSE is a premium listed company with a group company structure and is committed to the highest standards of governance and compliance. | Sound understanding of exemplary governance practices, awareness of the relevant legislative and regulatory framework, emerging trends in stakeholder engagement and experience in risk management. | Crawford Gillies  
Peter Lynas  
Helen Mahy |
Leadership of SSE

SSE’s Governance Framework

The Board’s role is to promote the long-term success of SSE through the setting of a clear purpose and sustainable strategy which creates value for both shareholders and society. The successful execution of this strategy and oversight of its delivery are supported by sound systems of governance, at the centre of which is an established Governance Framework that defines relevant decision-making authorities and responsibilities. Formally, these authorities and responsibilities are documented within: SSE’s Articles of Association; the Schedule of Matters Reserved for the Board; the terms of reference for the Committees which comprise SSE’s Governance Framework; individual role profiles and the financial approvals framework. Together, they reinforce the cultural expectations regarding accountability at the different levels within the organisation.

To ensure that all decision making is well-informed, transparent and balanced, careful consideration is given to information provision and flows within the Governance Framework. This approach further supports each Director in the discharge of their responsibilities and applicable legal duties. The effective working relationship between the Board and senior management facilitates both support and challenge where required, with Board awareness enhanced through regular dialogue, including upwards reporting from key individuals, and the provision of minutes from all Board Committee and Group Executive Committee meetings.

1. SSE plc Board of Directors

2. Nomination Committee
   Pages 100 to 103

   Audit Committee
   Pages 104 to 111

   Energy Markets Risk Committee
   Page 112

   Safety, Health and Environment Advisory Committee
   Pages 113 to 115

   Remuneration Committee
   Pages 116 to 139

3. SSE Power Distribution Board

4. Group Executive Committee
   to 31 March 2019

   Networks Management Committee
   Wholesale Management Committee
   Retail Management Committee
   Enterprise Management Committee
   Wholesale Risk Committee
   Retail Risk Committee
   Group Capital Allocation Committee
   Group Large Capital Projects Committee
   Group Safety, Health and Environment Committee
   Group Governance Culture and Controls Committee
   Ireland Management Committee

From 1 April 2019


1 Currently held for disposal.

The UK Corporate Governance Code

Through the Listing Rules, the UK Corporate Governance Code (the Code) underpins the overarching corporate governance framework for premium listed companies within the UK. The Code is published by the Financial Reporting Council (FRC) and is available to view on their website.

In this Directors’ Report, we describe how we have applied the Main Principles of the 2016 Code and in line with its “comply or explain” model, confirm full compliance with its Provisions for the reporting year ended 31 March 2019.
1. SSE plc Board of Directors
As at 31 March 2019, SSE’s Board of Directors comprised the Chair, six independent non-Executive Directors and three Executive Directors. To ensure the Board operates efficiently and effectively, each Director has certain responsibilities in line with their role and these are explained further on page 80.

The composition of the Board is subject to ongoing review and appointments result from a combination of comprehensive succession planning, and formal and rigorous searches, which are responsibilities delegated to the Nomination Committee. Upon appointment, the Chair and non-Executive Directors undertake a fixed term of three years subject to annual re-election by shareholders, which can be further renewed by mutual agreement. As explained on page 77, at any one time, the collective experience of the Directors supports the work of the Board, through clear alignment between their respective competencies, and the agreed strategy and operating context. All Board-level deliberations further benefit from diversity of approach due to each Director’s wider background, career development and training.

The established relationships between the Directors preserve independence of thought and judgement, allowing open and frank conversations to take place during deliberations of the Board. To ensure that this level of integrity is maintained, and the effectiveness of the Board continues to develop, separate meetings between the Chair and the non-Executive Directors, individually and collectively, without the Executive Directors present also take place throughout the year. These meetings provide an additional opportunity to discuss areas relevant to the operations of the Board and the Company. The Chair, as head of the Board, and the Chief Executive, as head of executive management, retain separate and clearly defined roles. To allow these responsibilities to be discharged effectively, regular contact is maintained with the Board meeting context, to ensure an effective ongoing dialogue is in place and that there is a means to communicate relevant external or internal developments in a timely manner.

The non-Executive Directors have direct access at all times to the senior management teams within SSE. Contact with the business and employees is encouraged, and provides the opportunity to develop a deeper understanding of the Company’s operations or to request information about specific areas. The development of these relationships with management strengthen both the role of the non-Executive Directors and their ability to constructively challenge, offer guidance and provide counsel in respect of strategic decision-making.

2. Board Committees
The Board is directly assisted in the discharge of its duties by five Board Committees, whose remit, authority and composition are monitored to ensure continued and appropriate Board support. Each of the Board Committees provides dedicated focus to a defined area of responsibility, with the nature of delegated work ranging from a recommendation being made to the Board; or if within their agreed authority, a final decision being taken on behalf of the Board. Further information on the specific role of each Committee is set out in their respective reports that follow. The Energy Markets Risk Committee was newly formed in the reporting period and further information surrounding its establishment can be found on pages 92 and 112.

Board Committee membership is determined by the Board, based on the recommendation of the Nomination Committee, in consultation with the relevant Committee Chair. Prior to making a recommendation, the Nomination Committee will consider the subject matter of the Committee’s work so that any refreshment of membership addresses its specific needs. Decisions will often assess technical skills, knowledge and experience whilst recognising the benefits associated with diversity.

3. Group Executive Committee and Executive sub-Committees
The Group Executive Committee is accountable to the Board for implementation of agreed strategy through the operational management of SSE’s businesses. It is in turn supported by its own Committee structure, with relevant delegated authorities. The membership of the Group Executive Committee comprises the: Chief Executive; Finance Director; Energy Director; Managing Director, Scottish and Southern Electricity Networks; Managing Director, Transmission; and Managing Director; SSE Renewables – all of whom are persons discharging managerial responsibilities. The Company Secretary is Secretary to the Group Executive Committee and the General Counsel and Managing Director, Corporate Affairs and Sustainability, attend meetings.

The SSE Power Distribution Board oversees SSE’s economically regulated electricity networks businesses in compliance with the applicable regulatory license conditions. It reports directly to the SSE plc Board and advises the Group Executive Committee of relevant decisions and developments where appropriate.

4. Re-shaping SSE to set it up for long-term success
During the reporting period a comprehensive assessment of SSE’s governance framework was completed. The purpose of which, was to confirm the appropriate operating model to support SSE’s evolving focus on its low-carbon core and complementary businesses. The key priorities underpinning this work were to ensure that each business within the SSE Group would be: equipped with the necessary resources to effectively drive delivery of strategy; empowered to deliver future growth through effective and efficient decision-making; and able to provide greater visibility over assets and earnings. To support achievement of these priorities, and the interests of the SSE Group as a whole, the Group Executive Committee was re-shaped to focus on strategy, performance and governance; and three Group-wide committees were created to focus on the priority areas of safety, health and the environment; risk; and the governance of large capital projects. The above has resulted in a new Group operating model being implemented from 1 April 2019.

Governance documents available on sse.com.

SSE’s Articles of Association.
Schedule of Matters Reserved for the Board.
Terms of reference for the Board Committees.
Director’s Letters of Appointment.
Role profile of the Chair, Chief Executive, Senior Independent Director and the non-Executive Director for Employee Engagement.
Board roles and responsibilities

The specific responsibilities agreed and assigned to each Director in line with their position on the Board include:

**Chair**
- Leadership, effective operation and governance of the Board.
- Setting agendas that ensure appropriate coverage of all areas material to the Board and which support efficient and balanced decision-making.
- Ensuring effective relationships exist between all Directors and driving a culture that supports constructive discussion, challenge and debate.
- Ensuring the views of all stakeholders are understood and considered appropriately in Board discussions.
- Overseeing the annual Board performance evaluation and identifying any action required.
- Leading initiatives to assess the culture across SSE and ensure that the Board leads by example.

**Senior Independent Director**
- Providing a sounding board for the Chair.
- Leading the Chair’s performance evaluation.
- Serving as an intermediary to other Directors when necessary.
- Being available to shareholders and other stakeholders if they have any concerns which are unable to be resolved through normal channels, or if contact through these channels is deemed inappropriate.

**Independent Non-Executive Directors**
- Scrutinising, measuring and reviewing the performance of management.
- Constructively challenging and assisting in the development of strategy.
- Providing independent insight and support based on relevant experience.
- Reviewing Group financial information, ensuring the System of Internal Control and Risk Management are appropriate and effective.
- Reviewing the succession plans for the Board and key members of senior management.
- Engaging with internal and external stakeholders and feeding back insights as to their views, including employees in relation to Company culture.
- Setting policy in respect of executive remuneration.
- Serving on or chairing various Committees of the Board.

**Chief Executive**
- Proposing and leading the delivery of strategy as agreed by the Board.
- Leading the Group Executive Committee, which oversees operational and financial performance and provides focus to the key strategic and governance issues for the SSE Group.
- Communicating and providing feedback on the implementation of Board agreed policies, and their impact on behaviours and Company culture ensuring SSE operates in a way that is consistent with its values.
- Leading and supporting each of SSE’s businesses and the functions of HR, Corporate Affairs and Strategy, Sustainability, and jointly, Group Change.
- Engaging with SSE’s six key stakeholder groups and leading on related activity at EU- and UK-level.

**Finance Director**
- Deputising for the Chief Executive.
- Leading the finance management teams.
- Overseeing and reporting on SSE’s regulated business activities, and leading on agreed M&A transactions.
- Leading and supporting the functions of: Finance, Procurement and Commercial; Risk and Assurance; Investor Relations and Company Secretarial; the General Counsel areas of responsibility, covering, Legal Services, Markets Regulation, Compliance and Large Capital Project Services, IT, and jointly, Group Change.
- Overseeing SSE’s relationships with the investment community.
- Engaging with SSE’s six key stakeholder groups and leading on related activity in Scotland.

**Energy Director**
- Supporting the work of the Chief Executive and Finance Director.
- Leading the business units which oversee SSE’s renewable assets; thermal generation fleet; gas storage facilities; energy portfolio management and related investments; and energy customer solutions which supply energy to businesses in GB and Ireland and households across Ireland.
- Engaging with SSE’s six key stakeholder groups and leading on related activity in Ireland and Northern Ireland.

**Company Secretary**
- Compliance with Board procedures and supporting the Chair.
- Ensuring the Board has high quality information, adequate time and appropriate resources in order to function effectively and efficiently.
- Advising and keeping the Board updated on corporate governance developments.
- Considering Board effectiveness in conjunction with the Chair.
- Facilitating the Directors’ induction programmes and assisting with professional development.
- Providing advice, services and support to all Directors as and when required.

**Non-Executive Director for Employee Engagement**
- Representing the Board in discussions with employees.
- Developing, implementing and feeding back on employee engagement initiatives in conjunction with management.
- Providing an employee voice in the Boardroom by raising relevant matters or issues raised.
- Communicating to employees the outcomes and developments made by the Board on specific matters.
- Engaging with officers of Trade Unions and internal Trade Union Representatives on key strategic issues affecting the workforce.

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1 The Senior Independent Director and non-Executive Director for Employee Engagement have additional responsibilities to those required in their capacity as a non-Executive Director.
2 Role effective from November 2018.
Board meetings
There were seven scheduled meetings of the Board in 2018/19 in line with the agreed plan of business for the year, and details of Director attendance can be found within the individual biographies on pages 74 to 76.

In the months between full Board meetings, a Board update call provides the opportunity to discuss key business developments, and emerging issues and opportunities, with arrangements also in place should a Board decision or approval be required outwith the above times.

Scheduled meetings of the Board follow an agreed format, with agendas being developed from the Board’s annual plan of business and tailored to reflect the current status of projects, strategic workstreams and the overarching operating context. Finalisation of meeting content is a collaborative process involving the Chair, Chief Executive and Company Secretary, who ensure adequate time is allocated to support effective and constructive discussion.

Board activity and strategic review
In line with the Board’s responsibility for the overall strategic direction of SSE, strategy-related issues are discussed at every Board meeting, including those specific to SSE’s individual businesses. These sessions are supported annually by a dedicated strategy review process, which holistically assesses SSE’s strategic position and its key strategic options. The above structured elements, supported by continual discussion and assessment, allow consideration of issues which extend across multiple business areas or are specific to an individual business but material to the SSE Group.

The 2018 Board strategy work identified and agreed a series of initiatives to prioritise key growth opportunities and introduce increased focus within SSE’s business operations. These included the creation of a separately identifiable SSE Renewables business; plans to target frontier performance across its networks businesses; and the agreement to realise value where appropriate within SSE’s existing portfolio of assets. An overview of SSE’s agreed strategy is set out on pages 2 to 3.

In making these decisions, the Board has overseen a number of other strategy-related analyses, including, but not limited to: a full review of SSE’s external environment in June 2018, covering relevant key trends in policy, technology, customer demands and competitor behaviour; SSE’s long-term financial outlook and key risks to this; assessment and prioritisation of growth opportunities; and a review of SSE’s key sources of competitive advantage and cross-Group business linkages, which supported the launch of a Group-wide operating model review which is being implemented from 1 April 2019.

These strategy-related analyses were complemented by consideration of SSE’s approach to sustainability, ensuring that the expectations of stakeholders in respect of SSE’s economic, social and environmental impacts are integrated within, and consistent with, strategic objectives and matters relating to the employment, retention and development of the skilled and talented people on which the successful execution of SSE’s strategy depends.

Details of the areas which have shaped the Board agendas in 2018/19 are set out on pages 82 to 87 and comprise the strategic matters outlined above alongside the key decisions required to support and resource their effective delivery. This includes establishing effective governance and risk management, and promoting behaviours that align with SSE’s values and purpose, and protect its licence to operate for the benefit of its stakeholders.

“In a fast-changing environment, it is important that as a Board, we continually test, challenge and develop our strategy.”

Crawford Gillies
Senior Independent Director
### SSE’S STRATEGY

#### STRATEGIC PILLAR #1

**Focusing on the core...**

...by maintaining safe and efficient operation of low-carbon and flexible thermal assets.

#### STRATEGIC PILLAR #2

**Developing, operating and owning...**

...applying world-class skills and experience to the low-carbon infrastructure needed now and in the future.

#### STRATEGIC PILLAR #3

**Creating value...**

...through disciplined investment and transactions that contribute to its primary financial objective.

#### STRATEGIC PILLAR #4

**Being sustainable...**

...by pursuing targets aligned to four UN Sustainable Development Goals.

### SETTING AND OVERSEEING DELIVERY OF STRATEGY

<table>
<thead>
<tr>
<th>COMPANY PURPOSE</th>
<th>Reconsideration of SSE’s core purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSE RENEWABLES</td>
<td>The development of SSE’s offshore wind portfolio</td>
</tr>
<tr>
<td></td>
<td>Opportunities within SSE’s onshore wind portfolio</td>
</tr>
<tr>
<td>THERMAL</td>
<td>Investment in complementary flexible thermal generation and review of the generation mix</td>
</tr>
<tr>
<td>REGULATED NETWORKS BUSINESSES</td>
<td>The reliable operation of SSE’s economically regulated electricity networks and delivery of leading customer service through a programme of capital investment</td>
</tr>
<tr>
<td>INFRASTRUCTURE AND RELATED SERVICES</td>
<td>Providing infrastructure and assets within SSE Enterprise with the best platform for success</td>
</tr>
<tr>
<td>INVESTMENTS</td>
<td>Returns and performance of non-core investments and assets</td>
</tr>
<tr>
<td>PERFORMANCE</td>
<td>Operational performance of SSE’s businesses</td>
</tr>
<tr>
<td>SUSTAINABILITY</td>
<td>Strategy centred on sustainability</td>
</tr>
</tbody>
</table>
What was reviewed and considered?

Reviewed the definition of SSE’s core purpose, in light of the Company’s long-term strategic focus and the widely recognised stakeholder interest for increased clarity, at a time when the role of business in society is under significant scrutiny. A re-defined purpose was agreed: to provide the energy needed today while building a better world of energy for tomorrow.

Large capital projects quality
Reviewed the progress of projects in construction and development including Beatrice, Seagreen, Doggerbank and Viking*, considering: delivery against plan; project financing and consents; project risks; ownership structure; and CfD qualification and governance to support effective compliance with all regulatory requirements.

* Viking wind farm is eligible to compete in Allocation Round 3 as “remote island wind”.

Energy infrastructure failure
Considered opportunities for realisation of asset value through partnerships which would benefit from the existing strengths and expertise of each party.

Large capital projects quality
Received updates on initial findings of the team assessing renewables opportunities in other geographies.

Financial liabilities
Agreed to sell a stake in Stronelairg and Dunmaglass wind farms and to return value to shareholders and reduce net debt through a discretionary share buyback programme.

Energy infrastructure failure
Considered the electricity mix and role of industry leading technologies in delivering new-build flexible generation, and security of supply in a low-carbon energy system.

Energy infrastructure failure
Worked with CCGT supplier Siemens and agreed to invest in the development of a next generation high-efficiency CCGT at Keadby 2, following appraisal of the strategic context, rationale, project economics, market analysis and associated risks.

Large capital projects quality
Reviewed the progress of existing projects including Ferrybridge Multifuel 2.

Energy infrastructure failure
Agreed the closure of Fiddlers Ferry Unit 1 following assessment of the market conditions, challenging plant economics, transmission entry capacity position and the long-term policy outlook for coal generation; and considered how to communicate to employees and other stakeholders.

Large capital projects quality
Reviewed the project plan and progress surrounding the final stages of construction, commissioning and electrification of the Caithness-Moray transmission link, considering: project complexity; delivery against timelines and budget; sub-contractor performance and safety; key risks; regulator engagement; and the role of the asset in deployment of renewable energy to the electricity system.

Energy infrastructure failure
Granted approval of project funding to support modernisation of existing critical national infrastructure and increase generation connection capacity.

Energy infrastructure failure
Confirmed the opportunities for future growth in line with the needs cases for transmission links to Orkney, Shetland and the Western Isles, and the need for continued stakeholder engagement surrounding these proposals.

Large capital projects quality
Reviewed performance and delivery within Distribution under the incentive based framework, considering key metrics and improvement projects within customer service and connections.

Politics, regulation and compliance
Received updates on the progress of capability studies and collaborative sector-leading Distribution System Operator projects.

Development and change
Approved strategic divestments which would result in realisation of business potential, whilst safeguarding customer and employee interests, including the planned disposal of SSE Water and the sale of a stake in SSE Telecoms.

All principal risks
See Significant Developments on pages 88 to 92.

Energy infrastructure failure
Reviewed the role of E&P asset investment within SSE’s business portfolio and the preliminary findings of the gas discovery within the Glendronach prospect.

Development and change
Reviewed the performance of each business at every Board meeting and considered: key strategic opportunities and challenges, regulatory, policy and market developments, stakeholder considerations and material business outcomes.

Safety and the environment
Approved the plan and priorities to further SSE’s sustainability impacts and continue delivery of responsible operations including: endorsing a letter of commitment to the UN Global Compact; agreeing a new carbon intensity ambition; approving SSE’s Modern Slavery Statement; and adopting four UN Sustainable Development Goals underpinned by specific targets for delivery by 2030, which will in part, guide future executive remuneration.
RESOURCING AND SUPPORTING THE DELIVERY OF STRATEGY

SAFETY, HEALTH AND ENVIRONMENT (SHE)  SHE performance and initiatives

EXTERNAL ENVIRONMENT  Reviewing and understanding the operating context

FINANCE  Maintaining financial discipline to support sustainable delivery of strategy and financial objectives

INVESTORS  Engaging with investors and remunerating their investment

RESPONSIBLE GOVERNANCE  Implementing appropriate governance, monitoring compliance and managing risk

“Our Risk Framework supports the strategic development process, through a robust assessment of the challenges presented by the markets in which we operate, and the implementation of appropriate controls.

Ensuring that decision-makers have access to relevant risk information is essential to the delivery of our strategy.”

Peter Lynas
Chair of the Audit Committee
<table>
<thead>
<tr>
<th>Link to strategic pillar</th>
<th>Link to Group Principal Risk</th>
<th>What was reviewed and considered?</th>
</tr>
</thead>
<tbody>
<tr>
<td>People and Culture/ Safety and the Environment</td>
<td></td>
<td>Provided continued focus to SHE performance and culture through a standing review and discussion of: SHE KPIs; the impact of initiatives such as updated safety language and communications; SSE’s 50by20 strategy and mental health awareness training; and feedback from the SHEAC and Board site visits.</td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td></td>
<td>Monitored Brexit and the work of SSE’s dedicated project team surrounding identified risks, mitigating actions, contingency plans and practical preparations including in respect of: people; volatility in financial and energy markets; supply chain and operational disruption; and the impact on applicable EU legislation.</td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td></td>
<td>Considered possible and actual political interventions covering: the control of electricity networks and continuing assessments of strategies to safeguard the interests of shareholders, customers and other stakeholders; capping the cost of energy for GB domestic customers; the GB capacity mechanism standstill period; development of the CFD auction rules; and carbon price support.</td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td></td>
<td>Reviewed regulatory policy and proposals leading to the next price control phase under RIIO-2; the potential for more active network management with the transition to DSO; and Ofgem’s views surrounding competition in transmission.</td>
</tr>
<tr>
<td>Commodity Prices</td>
<td></td>
<td>Monitored trends and movements within wholesale energy markets and assessed the resultant impact and exposure on short-, medium- and long-term strategy.</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td>Approved the Group budget, reviewing key assumptions, inputs and risks, and monitored performance and variance in results.</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td>Considered the Group funding position and financing requirements with input from the Audit Committee, reviewing the cost of capital and required rate of return, approving the issuance of: a nine year Green Bond and two year floating rate note; and the refinancing and conversion of existing Revolving Credit Facilities to link to sustainability criteria.</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td>Reviewed the long-term financial outlook to provide context for Board-level strategic decisions and discussions.</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td>Received updates on the discussions held with rating agencies and their decision to downgrade SSE’s credit rating by one notch, noting the continued relative strength within the sector.</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td>Considered outlook and guidance surrounding expected out-turns and earnings, confirming an interim dividend of 29.3p per share and recommended full year dividend of 97.5p per share.</td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td></td>
<td>Reviewed and approved shareholder communications for release to the market, including but not limited to: the 2017/18 Annual Report and full-year financial statements; the interim financial statements for the six months to 30 September 2018; the 12 September 2018 trading statement; and the materials to support SSE’s 2018 financial results and strategic focus on its low-carbon core and complementary businesses.</td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td></td>
<td>Monitored share price performance and reviewed feedback from investors, SSE’s brokers and analysts.</td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td></td>
<td>Reviewed and approved the matters to be covered at the 2018 AGM and the 2018 General Meeting, including the issuance of a shareholder Circular in respect of the proposed SSE Energy Services transaction.</td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td></td>
<td>Following regular updates on the work of the Nomination Committee and upon final recommendation, approved: the appointment of Melanie Smith; the re-appointment of Richard Gillingwater, Crawford Gillies and Helen Mahy for a further period of three years; changes to Board Committee membership to support ongoing effectiveness and continuity of experience; declared actual and potential conflicts of interest; the continuing independence of all non-Executive Directors; and the establishment and membership of a Board-level Energy Markets Risk Committee.</td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td></td>
<td>Participated in the three-yearly external evaluation and agreed actions following a review of findings. See pages 98 to 99.</td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td></td>
<td>Reviewed comprehensive updates on the impact of the 2018 UK Corporate Governance Code and following consideration of the changes introduced, agreed holistic action plans to address compliance and alternative governance arrangements where appropriate. See pages 86 to 87.</td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td></td>
<td>Reviewed and approved the governance documents which comprise SSE’s Board Charter, including: the Schedule of Matters Reserved for the Board; the terms of reference for each of the Board Committees; SSE’s 24 Group-level policies; selected roles and responsibilities within the Board; and the Board Inclusion and Diversity policy.</td>
</tr>
</tbody>
</table>
“Much of my early focus as a member of the Board has been building my understanding of SSE’s businesses and the complexities of the environments in which they operate.

Having worked extensively in strategy, I was particularly interested to meet the Group Strategy team to get an overview of the process and insight that has led to the development of the SSE strategy and the focus on renewables. Of course, it is people that make an organisation, and with this in mind I have also spent time meeting many of the leaders who will be key to SSE managing change and securing long-term success.”

Melanie Smith
Independent non-Executive Director

RESOURCING AND SUPPORTING THE DELIVERY OF STRATEGY

RESPONSIBLE GOVERNANCE
Implementing appropriate governance, monitoring compliance and managing risk

PEOPLE
Supporting and understanding employee views

IT AND TECHNOLOGY
Monitoring technological opportunity and change

CYBER SECURITY
Understanding context, risk and strategy

Working to comply with the 2018 Code

Following comprehensive review and assessment of the Principles and Provisions set out in the 2018 Code, the Board and its Committees agreed a series of workstreams to address the transition to its revised reporting framework for the next reporting period. Details of specific actions are set out opposite, with timelines for implementation designed to ensure continued compliance with the 2016 Code for the year under review and build on existing and well-established process. Through the above process, the governance documents indicated on page 79 were evaluated and updated as required.
What was reviewed and considered?

<table>
<thead>
<tr>
<th>Strategic Pillar</th>
<th>Principal Risk</th>
<th>What was reviewed and considered?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Politics, Regulation and Compliance</td>
<td>Monitored and considered external legislative and governance developments of relevance to the SSE Group of companies including: the implementation of GDPR; the Kingman review of the FRC; the Companies (Miscellaneous Reporting) Regulations 2018; and the Wates Corporate Governance Principles for Large Private Companies.</td>
<td></td>
</tr>
<tr>
<td>People and Culture</td>
<td>Noted Remuneration Committee feedback on delegated matters including: executive pay and associated performance measures; governance and guidance developments; Remuneration Policy review work and shareholder feedback.</td>
<td></td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td>Considered Audit Committee feedback and judged: the Annual Report and Accounts provided a fair, balanced and understandable view noting significant financial judgements and exceptional items; the adoption of the going concern basis of accounting; the appropriate time period for the Viability Statement; the effectiveness of SSE’s System of Internal Control; and following a competitive tender process, that Ernst and Young LLP be appointed External Auditor for the year ending 31 March 2020, subject to approval by shareholders at the 2019 AGM.</td>
<td></td>
</tr>
<tr>
<td>Safety and the Environment</td>
<td>Noted feedback from the SHEAC which confirmed the annual plan of work for the Committee, including an increased focus on environmental impacts and alignment of membership to include Group Sustainability.</td>
<td></td>
</tr>
<tr>
<td>Commodity Prices</td>
<td>Reviewed the initial operations and matters considered by the newly formed Energy Markets Risk Committee which included progress against the agreed approach to hedging.</td>
<td></td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td>Monitored compliance performance across all businesses and jurisdictions including regulatory submissions and commitments.</td>
<td></td>
</tr>
<tr>
<td>Development and Change</td>
<td>Considered the output of a review into the operational framework below SSE’s Group Executive Committee including proposed internal structural changes, strategic alignment and talent management and capabilities.</td>
<td></td>
</tr>
<tr>
<td>Politics, Regulation and Compliance</td>
<td>Reviewed and confirmed the Risk Appetite and Principal Risks in relation to SSE's businesses and operations see pages 66 to 71.</td>
<td></td>
</tr>
<tr>
<td>People and Culture</td>
<td>Considered feedback from the Directors at every Board meeting surrounding relevant observations and learnings following site visits and face-to-face engagement see page 96.</td>
<td></td>
</tr>
<tr>
<td>People and Culture</td>
<td>Reviewed findings from the Great Place to Work survey and endorsed action plans to enhance engagement to support how employee feedback was being addressed.</td>
<td></td>
</tr>
<tr>
<td>People and Culture</td>
<td>Approved the appointment of Sue Bruce as non-Executive Director for Employee Engagement, considering initial activity and the development of the role see page 95.</td>
<td></td>
</tr>
<tr>
<td>Development and Change</td>
<td>Reviewed the impact and opportunities of technological advances within the strategic context of each business area.</td>
<td></td>
</tr>
<tr>
<td>Cyber Security and Resilience</td>
<td>Provided specific focus to Group-wide IT and cyber security strategy and risk, measuring progress and approving the adoption of a Cyber Risk Appetite Statement.</td>
<td></td>
</tr>
</tbody>
</table>

1. Board Leadership and Company Purpose
   – Agreed movement in the oversight of whistleblowing arrangements from the Audit Committee to Board.
   – Created the role of non-Executive Director for Employee Engagement (see page 95).
   – Approved a revised Company Purpose (see pages 82 to 83).

2. Division of Responsibilities
   – Confirmed the revised policy stance that all external appointments should be subject to prior Board approval.

3. Composition, Succession and Evaluation
   – Reviewed the Board Inclusion and Diversity Policy and agreed to the adoption of an ambition for female membership (see page 102).
   – Discussed the tenure of the Chair (see page 103).

4. Audit, Risk and Internal Control
   – Agreed to the further integration of emerging risk into the established risk management processes (see pages 66 to 71).

5. Remuneration
   – Confirmed Remuneration Committee responsibility for setting Group Executive Committee pay (see page 126).
   – Agreed appropriate mechanisms for reviewing pay and employment conditions throughout the Group (see page 126).
   – Agreed updated post-cessation shareholding requirements for Executive Directors (see page 118).
   – Agreed updated pension arrangements for new Executive Director appointments (see page 118).
ENSURING OUR CORE BUSINESSES ARE EQUIPPED FOR THE FUTURE

Significant developments from the reporting year

The Board monitors and assesses the external operating context to ensure that at any time, in a given set of circumstances, appropriate decisions are taken. This often requires balancing the needs of those parties interested or affected by a particular decision, and requires a sound understanding of stakeholder views alongside the range of possible outcomes. During 2018/19, a significant proportion of the Board’s time was spent in this way, through the work which was undertaken to ensure that SSE’s core businesses are equipped for the future.

This was not without challenge, as political debate has continued surrounding energy affordability, legitimacy and policy, and so too have the uncertainties in respect of Brexit-related outcomes. The factors which impacted upon decision-making throughout the year were therefore complex and at times fast-changing. The timeline below highlights just some of the developments and decisions which were considered by the Board, and details follow of the way in which it has worked to understand, respond and mitigate their respective impact where appropriate.

Specific focus is provided to the events which relate to the decision not to proceed with the SSE Energy Services transaction, in its previously agreed form, through combination with npower, and the revised approach to managing commodity price exposures which was accelerated following the September 2018 Trading Statement. These events, in conjunction with a number of unexpected market developments, such as the judgement of the Court of Justice of the European Union which has impacted the GB Capacity Market scheme, and Ofgem’s view surrounding competition in transmission, have demanded both increased agility and time commitment outside of the agreed meeting schedule. Throughout this, the forward plan of business for the year has remained unchanged and identifying opportunities to secure and create maximum value through strategic investments and disposals has remained a priority.

Timeline of related Board activity and key considerations during 2018/19

Ongoing uncertainty surrounding Brexit

April 2018
CMA decision to refer the SSE Energy Services transaction to Phase 2

May 2018
Decision to proceed with the construction of Keadby 2
Full year results and confirmation of the strategic focus on SSE’s core
Changes to SSE’s standard GB domestic energy prices

June 2018
Publication of shareholder Circular

July 2018
SSE General Meeting
Domestic Gas and Electricity (Tariff Cap) Act passed
Q1 Trading Statement

August 2018
CMA provisionally clears the merger between SSE Energy Services and npower

September 2018
Ofgem price cap consultation published
SSE Trading Statement released
Glendronach gas discovery

Developments relating to SSE Energy Services
Developments relating to the revised approach to managing commodity price exposure
Developments relating to strategic delivery
Other significant developments
SSE Energy Services: Doing the right thing for customers, employees and shareholders

**Background**
In November 2017, SSE announced the proposed demerger of SSE Energy Services and immediate combination with npower, to form a new independent UK incorporated energy supply company. It was intended that the shares in this independent company would be admitted to the Premium listing segment of the Official List, and to trading on the Main Market of the London Stock Exchange, with an anticipated completion date of during the last quarter of 2018 or first quarter of 2019. The transaction was subject to both shareholder and regulatory approval, which was to be sought in 2018/19 in line with an agreed timeline and the requisite statutory dates, and was the subject of wide stakeholder interest.

**Developments and Board focus**
During 2018/19, the Board received updates on, and provided focus to, SSE Energy Services at every Board meeting and intervening Board call. In addition to these scheduled engagements a number of between-meeting briefings and decisions were required. The key developments, considerations, engagement and actions, in the period from April 2018 to December 2018, and from the decision-point not to proceed to date, are detailed on pages 90 to 91.
December 2018 decision-point and work to date

In December 2018, the Board agreed that the proposed Energy Services transaction should not proceed. The identified financial challenges posed by complex market developments, which impacted upon the performance of the respective businesses and the joint business plan, could not be met in a sustainable way for the benefit of customers, employees or shareholders. The decision reflected the uncertainty that would result should discussions remain ongoing, and the changing balance between agreed risk and probable positive outcome of the transaction completing as planned. Other options, including a standalone demerger and listing; a sale; or an alternative transaction, would be considered. The Board remain committed to securing the right future for SSE Energy Services in line with the below priorities.

Strategic
Unlocking the potential of SSE Energy Services in a radically changed operating environment remains key. This means empowering the business so that it can respond efficiently and effectively to relevant trends, such as: new political and regulatory commitments; increased small supplier market share; and changing customer expectations. Operation as an independent and focused entity continues to be deemed the appropriate platform for future success.

Governance
Efforts continue to build on the significant work to date, to separate SSE Energy Services within the SSE Group. Whilst future options are considered, appropriate governance is being implemented to allow focused and agile execution of its transformative strategy by a dedicated and experienced management team. The Board continue to receive updates and review business performance.

Customer
Through an established customer centric culture, SSE Energy Services continues to deliver strong performance across a wide range of measures, and is committed to continuing to secure the appropriate outcomes to meet customers’ needs. This includes responding to digitalisation and developing innovative customer solutions.

Employees
The talent and hard work of the people within SSE Energy Services is recognised as the business’s most valuable asset, as employees continue to support and deliver the ongoing transformation. Dedicated focus is therefore being given to the provision of sustainable, quality employment, and continuing open and clear communication.

Shareholders
A significant proportion of income will be derived from regulated networks and renewable sources of energy going forward. All of the options being considered for the future of SSE Energy Services remain consistent with greater visibility of both assets and earnings, and dividend sustainability based on the nature and quality of the underlying management and operations.

Q1: April to June 2018

Key developments
- The CMA referred the proposed SSE Energy Services transaction to a Phase 2 investigation.
- SSE announced an increase in its standard GB domestic energy prices.
- Preliminary results confirmed SSE’s plan for the dividend for the five years to 2023.
- Shareholder Circular was approved and issued in advance of the General Meeting scheduled for 19 July 2018.
- The Bill proposing implementation of a default tariff cap continued to progress through Parliament and Ofgem issued discussion papers surrounding its design, followed by a formal consultation on its proposed delivery.
- CEO and CFO designate of the independent company were both appointed.

Board considerations
- Confirmed that the strategic rationale, and ability to deliver increased benefit to the energy market and customers, remained appropriate outcomes of the transaction.
- The impact of the sustained rise in wholesale energy and policy costs, which was followed by the difficult decision that SSE’s energy prices had to increase as a result.
- The legal duties and responsibilities of the Directors in the preparation of the Circular, and confirmation that it be approved for issuance to shareholders.
- The developments in respect of the possible tariff cap and timelines in which further clarity would be expected.
- Progress of the work which was ongoing to separate SSE Energy Services from the SSE Group.

Q2: July to September 2018

Key developments
- General meeting was held and resolutions to give effect to the transaction were passed with in excess of 92% votes in favour.
- Domestic Gas and Electricity (Tariff Cap) Act 2018 came into force and set out the requirement for Ofgem to design and implement a temporary tariff cap for customers on Standard Variable and default tariffs, following which Ofgem announced a statutory consultation.
- CMA provisionally cleared the proposed SSE Energy Services transaction on the basis that it did not raise competition concerns.
- Chairman designate of the independent company was appointed.
Q3: October to December 2018

Key developments

- Consistent with their provisional findings, the CMA confirmed that the SSE Energy Services transaction was cleared subject to a final appeal period. This period subsequently closed in November 2018.
- Ofgem confirmed the methodology that would be applied to cap Standard Variable and default tariffs for customers.
- An announcement was made confirming that SSE and Innogy had entered discussions and were working together regarding potential changes to the commercial terms of the proposed SSE Energy Services transaction. These discussions were expected to last several weeks, and it was likely that completion of the proposed combination would be delayed.
- SSE confirmed in its interim results that discussions remained ongoing and a further update would be provided by mid-December.
- An announcement was made to the market stating the SSE Energy Services transaction was not proceeding.

Board considerations

- Confirmed the key priorities following the CMA’s final clearance and closure of the period for appeal, to ensure that agreed project milestones would be met in order to deliver the proposed transaction.
- The complexities of the methodology, level and input data underpinning the default tariff cap, and their relevant impact on the proposed terms of the transaction.
- The requirement to provide an update to the market as advised through proactive monitoring by the Group Disclosure Committee.
- Confirmed continuing commitment to disposing of SSE Energy Services, and that it was considered highly probable at the reporting date such that it was appropriate to show SSE Energy Services as held for disposal and as a discontinued operation.
- Confirmed that creating a new independent energy supplier remained the core objective, but whether this remained possible as originally contemplated, given recent market developments and respective business performance.
- The ability for any changes to be made to the commercial terms of the proposed SSE Energy Services transaction, to mitigate the impact of identified financial challenges, such as the requirement to post collateral against credit exposure and the ability to obtain and retain an appropriate credit rating.

Supporting, working and engaging with stakeholders

Government and Regulators

- Provided ongoing support to the dedicated transaction project team to ensure constructive engagement with the CMA as part of its formal inquiry process.
- Submitted views to Ofgem and engaged in the consultation surrounding the proposed introduction and design of a default tariff cap.

Employees

- Proactive and timely engagement with employees was managed by a dedicated communications team to update on transaction developments. Focus was provided to explaining what was happening and why, and what this meant for employees.
- Internal channels such as a transaction focused website and Yammer, supplemented email and SSE’s Group-wide intranet news streams, and contained factsheets and FAQs.
- An employee consultation forum was in place and additional measures were taken to ensure field-teams had unequivocal access to information.
- Meetings with the Trade Unions covered the progress of the transaction as the impact on employees was discussed at length.
- Consideration was given to the year-on-year results of the Group-wide Great Place to Work Survey and next steps included agreement for an SSE Energy Services culture survey to support ongoing transaction workstreams.
- The Chair engaged with senior leaders within SSE Energy Services and updates were provided on business performance and sentiment.

Energy Customers

- To ensure continued high levels of customer support, transparent communications explaining the reason, timelines and impact of the SSE energy price increase were issued, and necessary customer support resource agreed.
- Ad-hoc queries about the transaction were dealt with by SSE teams and supported by messaging on customer-facing platforms.
- The Board reviewed performance against SSE Energy Services’ Treating Customer Fairly Commitments and complaints performance.
- Customer forum chairs and consumer group representatives provided views surrounding key priorities and perceived challenges for the independent company, digitalisation, the default tariff cap and the impact of culture.

Shareholders

- The necessary resources were put in place to deal with the potential volume of individual shareholder enquiries relating to the Circular and Notice of General Meeting.
- Full Board attendance at the General Meeting provided shareholders with the opportunity to put forward related questions.
- Shareholder feedback and analyst commentary on the transaction was presented to, and considered by the Board.
- Disclosures were made to the market in compliance with the obligations applicable to a listed company and applicable EU Regulation and followed by pro-active shareholder engagement.
Commodity price exposure: a revised approach

Background
In 2018/19, SSE’s Energy Portfolio Management (EPM) division incurred a significant operating loss that was not expected at the start of the financial year. SSE responded to this by adopting a new approach to the management of its energy portfolio, published in November 2018. Commodity prices have been identified as one of SSE’s Group Principal Risks for a number of years see pages 66 to 71.

What happened
Around the start of 2018/19, as part of its ongoing assessment of SSE’s energy portfolio and the risks and opportunities associated with it, and drawing on external as well as internal analysis, the Board agreed with management’s analysis that wholesale gas prices would most likely fall from the prevailing levels.

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

In addition to ongoing management oversight of financial and operational performance, each year, following approval of the annual budget in March, the Board monitors financial and operational performance monthly, including significant market commodity price movements and their impact. During the early months of 2018/19, wholesale gas prices proved to be higher than expected for longer than expected. This is illustrated by the fact that over the first 6 months of 2018/19, UK gas prices rose by around 50% for each of the forward looking three seasons (winter 18/19, summer 19 and winter 19/20).1

In its Trading Statement in July 2018, SSE said that the effects of persistently high wholesale gas prices could potentially impact on its full-year results. A significant portion of the increase summarised above, particularly in respect of the 2018/19 winter, occurred subsequently, in August and early September. In this period, there was unusually high volatility in the UK gas markets and the prices represented some of the highest seen in over 20 years for forward seasons.

What the Board did
Following agreed action to effectively “cap” the adjusted operating loss in EPM that arose as a result of gas prices being higher than expected for longer than expected, the completion of the monthly financial analysis and reporting process in September 2018 showed the impact that the persistently high gas prices experienced in the first part of the financial year were set to have on SSE’s financial performance. The Board therefore approved the Trading Statement which was published on 12 September 2018. This loss out-turned at £284.9m for 2018/19 and is currently forecast to be around £115m for 2019/20.

The Board then accelerated a review of how SSE should manage future sources of exposure to fluctuations in the volume and price of key energy commodities following the planned separation of SSE Energy Services. The objective of this, was to identify and implement an approach consistent with SSE’s increasing focus on its core businesses of regulated energy networks and renewable sources of energy, complemented by flexible thermal generation and business energy sales. This review also took account of the views of shareholders, expressed in discussions following the Trading Statement in September 2018, and was endorsed and approved for publication by the Board in November 2018.

Action taken
In November 2018, SSE published on sse.com a new approach to managing energy commodity price exposures and giving shareholders enhanced visibility over it. The stated objective of this was to take a more systematic and transparent approach to managing SSE’s exposure to volatility in the volume and price of five principal commodities (power, gas, coal, oil and carbon emissions allowances) and so make their impact on shorter-term earnings more visible and predictable.

This means SSE will now generally seek to hedge its broad exposure to commodity price variation 12 months in advance of delivery, and will transition to this approach such that it will be in place from the start of the 2020/21 financial year, ensuring that trading positions cannot have a material impact on SSE Group earnings. In the interests of transparency, commentary on this will be included in SSE’s financial results statements. Energy commodity-related risk itself will be managed within SSE’s business units, with EPM becoming an operational and transactional function to ensure business units’ requirements are met.

The Board has also established a new sub-Committee – the Energy Markets Risk Committee – whose principal purpose is to oversee implementation of the new approach. Tony Cocker is the non-Executive Chair and the Committee convened for the first time in January 2019. Its dedicated Committee Report is set out on page 112 and its terms of reference are available on sse.com.

The future
SSE had already concluded that its increasing focus on regulated energy networks and renewable sources of energy, would require a new approach to managing its exposure to volatility in the volume and price of energy commodities. The adoption of this new approach was accelerated in light of the events described above.

The Board believes the action taken since September 2018, represents the right response to the issues summarised in the Trading Statement published that month. The approach identified and adopted in November 2018 is more systematic and should also make the impact of any such volatility on year-to-year adjusted operating profit more visible.
Engaging with SSE’s stakeholders

A critical aspect of working constructively with SSE’s six key stakeholder groups is the engagement which takes place to understand material issues of interest, and set out below are details of the engagement mechanisms that exist within SSE, which ultimately support the Board’s understanding of relevant stakeholder views. This approach ensures that all decision-making is adequately informed and is supportive of a Director’s duty under Section 172 of the Companies Act 2006. Further details of how SSE’s relationship with its stakeholders shapes and influences strategic considerations, around issues material to them, can be found on pages 22 to 23.

**ENERGY CUSTOMERS**

Proactive and continual engagement with SSE’s millions of customers, assesses the quality of service provided and allows identification of customers’ needs to ensure that SSE’s products and services remain relevant and reliable. Daily engagement with customers through digital platforms such as social media, allows SSE to gather views, engage and share important information in real-time, as well as run targeted awareness-raising campaigns. Customer service performance is regularly reported to the Board through Citizens Advice Bureau ratings, Net Promoter Scores and outcomes against incentive based performance measures set by Ofgem. Customer forum chair meetings are attended by the Chief Executive which allows feedback to be gathered and shared with the Board, key focus areas include: energy affordability; support for vulnerable customers; and smart meters. Annually, the Board review and approve SSE’s Treating Customers Fairly priorities which further reflect customer views and the AGM provides “Customer-Shareholders” with the opportunity to ask questions of the Directors.

**SSE EMPLOYEES**

SSE engages with its around 20,000 employees to understand areas of importance in respect of the working environment, career development and company culture. Views are gathered annually through the Great Place to Work survey, with findings, trends and actions, feedback and agreed by the Board and businesses. The dedicated site visits covered on page 96, internal conferences and events – such as the SSE Safety Conference, and in 2019, the Wholesale conference and a trainee roundtable – are attended by both Directors and senior leaders. These provide the opportunity for face-to-face engagement and two-way communication of key messages and views, as well as direct observation of culture. SSE’s intranet site contains internal blogs from the Board; and live Q&As are held via YamJams after Group Executive Committee meetings. The Remuneration Committee Chair meets Trade Union officials during the year and going forward there is a tailored plan for the non-Executive Director for Employee Engagement – see page 95.

**SHAREHOLDERS**

SSE engages with its shareholders, providing updates on financial performance and its plans for the future through regular financial reporting; the AGM; the investor pages on sse.com; investor roadshows in the UK and US where the Chief Executive and Finance Director meet SSE’s largest active shareholders; attendance at investor conferences; engagement on specific matters such as Directors’ Remuneration; and ad hoc investor calls and meetings. Updates on shareholder matters form a regular input to monthly Board meetings and calls, and SSE uses the feedback from all its shareholder engagement to inform: long-term strategy; it’s approach to Environmental, Social and Governance (ESG) matters; and how it reports on these and other relevant areas. SSE engages actively with key ESG investor analysts and provides feedback and input to their assessments of the company to ensure accurate representation of SSE’s ESG performance and approach.

**GOVERNMENT AND REGULATORS**

SSE engages with government and regulators to communicate the company’s business strategy and investment decisions, as well as to assist the development of regulation and policies which have a material impact on SSE and its customers. This is done in a fair and balanced way in accordance with the principles set out in SSE’s Political Engagement Policy and SSE has dedicated teams responsible for engaging with governing and regulatory bodies. In 2018/19 SSE engaged on key issues including Brexit, carbon pricing and the Labour Party’s nationalisation policy, and the Board receive regular updates from departments and project teams working on SSE’s responses to these and other issues, such as fair treatment of customers, security of supply and the economic impact of investment. More detail can be found on page 13.

**SUPPLIERS AND CONTRACTORS**

Constructive engagement with suppliers and contractors sets fair expectations on delivery and safety performance and ensures good outcomes for local supply chains and the environment. SSE’s strategic supplier relationship management programme (SRM) monitors performance of suppliers that have a critical influence on the growth of the Group. SRM has the ultimate aim of enhancing performance and strengthening relationships, and provides quarterly or half-yearly steering group meetings, which are a forum for dialogue with the supply chain on other topics, including safety, innovation, external markets and business overviews. This work is led by SSE’s Procurement team and updates are provided to the Board as part of the major project update and review process. SSE also undertakes regular safety, health and environment, and quality audits on its sites and engages directly with its suppliers on key issues to ensure its values are upheld throughout its supply chain. In 2018/19 SSE introduced a modern slavery checklist as part of its Large Capital Projects Quality assurance programme, to ensure compliance on-site with SSE’s modern slavery requirements.

**CIVIL SOCIETY, COMMUNITIES AND NGOs**

SSE’s businesses engage with these groups to gain their support, help influence emerging policy and to lend SSE’s weight to campaigns that align with the Group’s strategy and values. SSE also gathers the views of these stakeholders to inform decision-making on key projects and business strategies, through channels such as public consultations and stakeholder advisory panels. The Chair of the Board is a member of the Future of the Corporation Corporate Advisory Group, which meets regularly to support the British Academy’s project and consider research developments and advise on future plans around the role of business in society. In November 2018, he led the business response to the research, highlighting the importance of tax in the social contract and the value of privately-owned utilities working in the public interest. In May 2019 the Chief Executive stood down as Vice-President of Eurelectric, having played his part in building the group’s vision for acceleration of decarbonisation.
Culture and engaging outside of the Boardroom

Understanding and monitoring culture

“Doing the right thing” is at the heart of SSE’s ethical business culture and is embodied within the agreed vision, purpose and strategy as set by the Board. The SSE SET of core values underpin this approach, which seeks to go beyond compliance and ensure that the interests of all stakeholders and society are respected. It is these values which remain the guide to responsible business behaviour and decision making at every level within the organisation. Further details of the agreed principles, policies, standards and cultural initiatives which support and help employees understand what is expected of them, can be found on pages 32 to 35 and within SSE’s Sustainability Report.

At Board-level, commitment to SSE’s core values is demonstrated through transparent operations and engagement outside of the Boardroom, which ensures the Directors lead by example, reinforcing the cultural tone and expected behaviours.

Safety remains SSE’s No 1 priority and during the year there was again Director attendance at the Group-wide safety conference and a meeting of the SHEAC hosted at the operational site of Slough Heat and Power see pages 96 and 114.

Service and reliability for all of SSE’s customers is overseen through Board-level review of: relevant commitments such as Treating Customers Fairly within both the domestic and business energy supply businesses; customer service ratings; and performance metrics including those under the Networks’ incentive regime and business response during extreme weather events. A number of the above are also agreed measures in the performance related elements of executive pay.

Efficiency of operations and effective delivery of strategy has been supported through Board-level endorsement of a revised Group operating model for implementation from 1 April 2019, which will empower each business to lead the transition to a low-carbon future.

Sustainability has been placed right at the front and centre of this strategic priority following the recent adoption of four key business objectives, aligned to UN Sustainability Goals, with further linkage to executive reward.

Excellence continues to be supported through the delivery of large capital projects in line with agreed plans, and the pursuit of value-creating opportunities for shareholders. This was exemplified during the period with the completion of the Caithness-Moray transmission link on time and within budget, and the agreement to dispose of stakes in some of SSE’s renewables portfolio.

Teamwork continues to be appraised and reported annually through the Board evaluation process, with inclusive teamwork and decisive leadership being further recognised as a driver of employee engagement. As such, this has been an early areas of focus for Sue Bruce in her role as non-Executive Director for Employee Engagement.

Listening to the employee voice

Cultural alignment across SSE and within each business, is monitored and assessed by the Board through a combination of the direct contact highlighted above, and a number of recognised indicators as depicted below. Through discussion of relevant observations including the implications for future Board work, and review of the recognised indicators, culture is covered both implicitly and explicitly at every Board meeting.

During 2018/19, the Directors engaged in site visits across Great Britain and Ireland to enhance understanding of day to day operations, observe the practical execution of strategy, and gather insights into employee relations and sentiment. The benefits of personal interaction and informal discussion in learning more about employee’s backgrounds, career development, and how people feel about their working environment within SSE, is recognised as invaluable by the Board. Feedback from visits is therefore present as a standing item on every meeting agenda and some of the key insights gained by the Directors are set out on page 96.

Of particular note during the period, was the consistently positive messaging surrounding the impact of behavioural safety and health training which has been provided to employees through the ongoing 50by20 initiative. These observations applied across operational, field- and office-based roles and included the adoption of tools such as charters to drive the desired performance culture, increased awareness and support in respect of mental health, and the adoption of SSE’s safety licence “if it’s not safe, we don’t do it.”

RECOGNISED INDICATORS OF CULTURE REVIEWED BY THE BOARD AND ITS COMMITTEES INCLUDE:

- Outputs from the Great Place to Work survey.
- Whistleblowing reports.
- Safety performance, initiatives and trends.
- Compliance updates covering listed company and regulatory obligations.
- Internal audit reports and findings.
- Absenteeism rates.
- Progress in respect of inclusion and diversity.
- Training completion rates.
- Directorate reports covering business specific matters.
Engaging with employees to support sustainable decision-making

SSE’s most important asset is its people, a point illustrated by SSE being the only FTSE organisation to have measured the value of the Human Capital it borrows from society. In line with this focus on valuing people, and in consideration of the newly-introduced recommendations of the 2018 Code, the Board approved the appointment of Sue Bruce as the non-Executive Director for Employee Engagement in November 2018.

As Chief Executive, Alistair Phillips-Davies, assisted by Group HR, leads and supports SSE’s employees through the design and delivery of people strategy; with the Board receiving progress updates in respect of its implementation. The newly-created non-Executive role will therefore enhance previously established Board oversight, by advocating and directly representing the employee voice during relevant Board discussions.

By dialling into existing and wide-ranging listening channels and tools; such as regular anonymous employee surveys, well attended face to face employee roadshows, direct Q&A sessions with senior leaders through online channels such as Yammer, and well-established employee consultation channels, including those with SSE’s recognised Trade Union representatives, Sue Bruce will build an awareness of the key issues most relevant to employees. Sharing these insights directly with the Board will reinforce consideration of relevant views during decision-making and ensure considered and informed action is taken where appropriate.

Looking ahead, a detailed programme of planned activities will facilitate engagement with a wide range of employees, which will be further supported by direct feedback, to demonstrate how the views provided have been considered and responded to by the Board. Since appointment, a number of initial meetings have already taken place, which have allowed communication of future aspirations for the role with the workforce. This has included views on the importance of effective employee engagement at times of significant change, which were shared at SSE’s Leadership Conference.

“I see this as a really important role, and in the seven months since the role has been established I have been keen to build on existing channels that already operate effectively.

I’ve met three times with Full Time Trade Union Officials and Senior Employee Representatives, where we have had wide ranging discussions around business strategy; the future direction of SSE Energy Services; the approach that is being taken to manage change; and employment terms being applied during business re-structures. These discussions have been positive, with open and honest communication at their heart.

Following these meetings, I’ve written blogs and have also shared with the Board the key themes and issues that have arisen, to inform the Board’s discussions and decisions. I enjoy and welcome these meetings and they will form a key element of my engagement approach going forward.

Sue Bruce
Non-Executive Director for Employee Engagement

I have also attended a shadow Board meeting which has been set up to provide both a development and learning opportunity for talented members of the SSE team. These meetings create a platform to allow fresh perspectives and thinking to be shared.

Going forward we have an overall plan of approach which will doubtless be refined as the role develops. In our discussions to date, I have invited views on this, and remain open minded and welcome ideas from colleagues throughout the business as to how collectively we can ensure the employee voice is heard and respected. One aspect of which, is close linkage with the main SSE employee engagement survey, which runs annually, and is a key way to really listen to the employee’s viewpoint. Post-survey I’ll attend focus groups to understand in more detail the real issues that are most important to the SSE workforce. I’m very much looking forward to these discussions.”

Sue Bruce
Non-Executive Director for Employee Engagement
**Culture and engaging outside of the Boardroom continued**

<table>
<thead>
<tr>
<th>Strategic area</th>
<th>Site visits included</th>
<th>Relevant insights gathered to inform future discussion</th>
</tr>
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</table>
| **SSE Renewables**              |                                                            | - Ensuring appropriate plans are in place for the recruitment, retention and development of employees located at remote operational sites.  
- The broad range and complexity of the engineering and project challenges faced by the renewable fleet when in development and post-commissioning.  
- The impact of projects on local communities and the transfer of learnings from existing initiatives and stakeholder engagement, to ensure benefit and value continue to be created for affected groups.  
- Optimisation of operations in volatile market conditions including the impact and dependency on weather, and the role played by this asset class in the low-carbon transition. |
| **Thermal**                     |                                                            | - The visible commitment to safety and the requirement for specific priorities and focus areas to be tailored by site to support operations.  
- Continued sharing of project knowledge to strengthen identified competencies in the development, operation and ownership of large scale assets including the integration of new and advanced technologies into plant construction plans.  
- The key considerations and value which can be derived from joint ventures and combining of complementary expertise.  
- The opportunities available to support the stated commitments relating to climate change and cleaner energy, through regeneration of existing infrastructure. |
| **Regulated networks businesses**|                                                            | - The compliance and assurance processes required to fulfil commitments to customers and the Regulator, and to effectively own and operate critical national infrastructure.  
- Clear employee commitment to addressing customers needs and to ensure continued high standards of service and vulnerability support.  
- The unique terrain and environment in which large capital projects are being delivered and the innovative solutions that are being adopted to mitigate safety risks, increase project efficiencies and overcome challenges.  
- The positive impact of strong team engagement on health, wellbeing and performance with consideration for the support currently provided by SSE in these areas.  
- The role of transmission licence holders in facilitating increased renewable capacity within the GB electricity system and the principles that should be applied to ensure connections are efficient, co-ordinated and economic, whilst having the least possible impact on the environment. |
| **Infrastructure and related services** |                                                            | - Project challenges from the perspective of contractors including those in relation to demolition at Slough Heat and Power.  
- Opportunities presented by energy market trends and developments and the ways in which SSE Enterprise is responding, including, distributed energy, electric vehicles and changing infrastructure requirements.  
- The high quality of work and innovation present within new and emerging project areas which focus on the development of customer-centric solutions.  
- The systems of work adopted within SSE Rail to ensure safe operations within the working environment.  
- The challenges of introducing a new customer service system and rolling out smart meters within Business Energy, and the responsibilities of each team in respect of dedicated customer support and relations. |
| **Sustainability**              |                                                            | - The overarching role of sustainability and its integration into strategic considerations to ensure that in the long term, SSE safeguards its responsible approach.  
- Progress and outputs of the work to date surrounding community investment, and the future priorities for the funds available to support relevant initiatives and projects.  
- Climate change action plans; developments in reporting; and the increased regulatory requirements and expectations surrounding non-financial matters. |
Board induction, development and evaluation

Induction and development
Board induction
Following appointment, all Directors engage in an induction process which has been designed to suit their individual needs. The tailored and comprehensive programme is agreed through discussion with the Chair and Company Secretary, and is reflective of existing knowledge and experience, and any agreed roles within the Board and its Committees. The meetings and activities are selected to ensure that any new Director is adequately informed and equipped to participate in Board discussions, with a sound understanding of long-term strategy, business operations, the sectoral context and Company culture. Engagements involve meetings with key personnel, technical briefings and site visits, which allow for conversations to take place with a representative cross-section of SSE’s workforce. An appropriate time period is allowed in which to complete the agreed engagements, such that directorate knowledge can be built over time. Details of the induction programme which was agreed for Tony Cocker and Melanie Smith are set out below.

<table>
<thead>
<tr>
<th>Specific technical updates prioritised to support value creation through application of existing knowledge to Board and Committee discussions</th>
<th>Tony Cocker</th>
<th>Melanie Smith</th>
</tr>
</thead>
<tbody>
<tr>
<td>– SSE’s Group Principal Risks, control environment, Internal Audit and Assurance activities.</td>
<td>– Briefings from SSE’s dedicated strategy team.</td>
<td>– An HR update on people, talent and development.</td>
</tr>
<tr>
<td>– The role and operations of Energy Portfolio Management.</td>
<td>– Site visit to Dublin in order to understand priorities and considerations in respect of operating across two jurisdictions.</td>
<td>– Engagement with the Renewables Operations Centre.</td>
</tr>
<tr>
<td>Area</td>
<td>Briefing provided by</td>
<td>Matters covered and discussed</td>
</tr>
<tr>
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</tr>
<tr>
<td>Governance</td>
<td>Company Secretary and Director of Investor Relations</td>
<td>SSE’s governance framework, Board-related policies and logistics, and an overview of the evolving governance landscape including recent developments relevant to the SSE Group. The work of the Investor Relations team and shareholder perspectives.</td>
</tr>
<tr>
<td>Operating environment</td>
<td>MD, Corporate Affairs and Sustainability</td>
<td>SSE’s approach and key priorities in relation to: strategy development; corporate communications; reporting; and political advocacy including the importance of ensuring stakeholders’ concerns are fully considered and reflected.</td>
</tr>
<tr>
<td>Sustainability</td>
<td>Director of Sustainability</td>
<td>SSE’s approach to sustainability, including an analysis of recent key stakeholder trends, the primacy of climate change, carbon emission targets and important social and economic impacts.</td>
</tr>
<tr>
<td>External view of SSE</td>
<td>SSE’s Brokers, Credit Suisse and Morgan Stanley</td>
<td>An up-to-date view of investor, shareholder and market sentiment, and an overview of the broker-shareholder relationship.</td>
</tr>
<tr>
<td>Strategy implementation</td>
<td>Chief Executive</td>
<td>The energy sector, long-term strategic priorities, financial performance, and an overview SSE’s key stakeholder groups including their material concerns and issues.</td>
</tr>
<tr>
<td>Finance</td>
<td>Finance Director</td>
<td>Finance and the control environment including capital structure and funding. Recent shareholder and analyst feedback and SSE’s equity story. The relationship with SSE’s External Auditor.</td>
</tr>
<tr>
<td>Safety, health and environment</td>
<td>Group Safety, Health and Environment Manager</td>
<td>SSE’s safety culture including ongoing initiatives, targeted communications and policies to support all areas of SHE performance and safe working.</td>
</tr>
<tr>
<td>Legal and regulation</td>
<td>General Counsel and MD, Corporate and Business Services</td>
<td>Regulatory and legislative matters including any significant issues facing the Group.</td>
</tr>
<tr>
<td>Business overview</td>
<td>MDs of SSE’s businesses and key members of leadership teams</td>
<td>Meetings covering business plans, performance, assets, operations, material issues and opportunities.</td>
</tr>
<tr>
<td>Operations</td>
<td>Operational personnel</td>
<td>Considerations in respect of asset and business operations, and insight into SSE’s culture through visits to selected key sites.</td>
</tr>
</tbody>
</table>

Director development and training
At any point in time, the Directors are invited to identify areas in which they would like additional information, further meetings or briefings, following which the Company Secretary will arrange and ensure that the necessary resources are in place. The resultant sessions can be internally or externally facilitated, and can originate from an identified training requirement, or may be an area of interest to a Director or the full Board.

As part of SSE’s mandatory training programme, all Directors are further required to complete dedicated courses covering areas which are deemed material to their role. These address statutory obligations and ethical considerations including: the legal duties of a Director; competition law; bribery law; fraud awareness; GDPR; and inclusion and diversity.
Board induction, development and evaluation continued

Annual evaluation of Board performance and effectiveness

Progress against the 2017/18 internal Board evaluation

In 2017/18, the performance and effectiveness of the Board was reviewed through an internally facilitated evaluation process, the agreed actions from which included enhancement of both internal and external stakeholder engagement in relation to strategic discussions and culture, as well as focus on inclusion and diversity, and succession. These areas have been progressed within the period, through: ongoing Board engagement on strategy development; an increase in the number and breadth of Board site visits and shareholder engagements; and continual development of Nomination Committee focus including the adoption of a Board gender diversity ambition.

2018/19 External Board evaluation

Process

Stage 1
Selection of external evaluation provider
In line with recognised best practice, an external evaluator was engaged to conduct the 2018/19 Board evaluation. The selection process was led by the Chair and Company Secretary, who met with three different providers prior to confirming the appointment of Schneider-Ross. Their distinctive review approach was one of the key considerations which informed this decision, as it was agreed to undertake the evaluation through the lens of inclusion and diversity. This focus was judged to provide a more informative output in relation to open thinking, constructive Board challenge and optimising the diverse skills and experience within the Boardroom.

Stage 2
Agree remit and scope
Initial meetings between the Chair, the Company Secretary and Schneider-Ross were used to agree the purpose, scope, timing, and practicalities of the evaluation. This included agreement of the below key themes for the evaluation to explore, and the appropriate mechanisms to ensure a suitably comprehensive assessment could be carried out.

Thematic evaluation focus areas:
- Board composition and dynamics;
- strategic and financial decision making;
- people decision making; and
- Board systems and processes.

Stage 3
Information gathering and meeting observation
Views were gathered through a combination of contact with key personnel, direct observation of Director interaction within the Board meeting context, and written feedback.

Between the months of July and mid-September 2018, Schneider-Ross had qualitative discussions with each individual Director; the Company Secretary; Jeremy Beeton and Katie Bickerstaffe, who had both recently stepped down from the Board; and nine regular attendees of Board meetings, including, the Director of Human Resources, MD, Corporate Affairs and Sustainability, MD, Networks, Director of Risk, Audit and Insurance and SSE’s External Auditor, KPMG. Schneider-Ross subsequently attended and observed the September 2018 Board meeting.

The above was followed by the issuance of a questionnaire, as developed by Schneider-Ross, in consultation with the Chair and Company Secretary, in October 2018. This was completed by the Board and Company Secretary, and adapted for circulation to a selection of both regular and less frequent attendees of Board and Board Committee meetings, in order to gather a broad range of perspectives.

Stage 4
Feedback and report findings
Initial findings and an early draft of the evaluator’s report were discussed at a meeting between Schneider-Ross, the Chair and Company Secretary in December 2018. Following additional desk research and the provision of supplementary information throughout December, a finalised report of findings as described below, was presented to the Board by Schneider-Ross, at their January 2019 meeting.
Findings

The Board

The Trading Statement in September 2018 that set out expected losses in Energy Portfolio Management was published while the Board evaluation was ongoing, and so provided additional context for the contributions of those participating in the evaluation process. Those contributions were reflected in the report of Board evaluation findings, which was completed in December 2018 and considered by the Board in January 2019.

The evaluation concluded that the SSE Board is effective, identifying many components reflective of best practice, and indicative of an engaged and high performing Board, namely:

- diversity, with complementary perspectives that are not dominated by one or two individual Directors;
- non-Executive Directors who invest the time and energy to make a positive difference;
- a Chair who sets an exemplary tone and creates an inclusive Boardroom environment;
- Executive Directors who seek to engage, rather than manage the Board; and
- good Board systems and processes that are kept under review by an able Company Secretary.

In turn, within SSE, these positive attributes were identified as leading to:

- a transparent Board where different perspectives are aired and financial discipline is strong;
- an approach to strategy development that makes good use of non-Executive Director input and encourages a focus on the long-term success of the Company;
- a preparedness to take bold strategic decisions such as that in relation to SSE Energy Services; and
- a strong focus on, and where appropriate, progressive approach to, corporate governance.

Areas identified for further focus in support of continuous improvement were:

- reinforcing the importance of constructive challenge in the Boardroom;
- challenging management to continually improve SSE’s ability to manage change and monitoring respective progress; and
- supporting management in attracting and developing talent from a wide range of backgrounds.

Following a period of consideration, a detailed action plan was formally agreed by the Board in March 2019. This featured:

- a planned Board session on Confirmation Bias;
- greater use of “warm up” sessions to aid Board preparations in respect of complex or material decisions; and
- further development of internal reporting to the Nomination Committee on actions to enhance inclusion and diversity.

Integration into relevant Board work and existing process is currently underway and details of progress will be reported in future.

Board Committees

Through the process described above, it was confirmed that the operations of the Board Committees, and their relationship with the Board itself, remain effective. Identified actions from the overall Board evaluation will be used to inform future Committee work where appropriate, with respective progress also monitored and assessed.

Individual Director performance

During the year each Director participated in a detailed review of individual performance which was carried out by the Chair. Through this process, each Director was invited to suggest areas for desired knowledge development or in which additional or refresher training was required, following which, the Company Secretary would ensure that appropriate internal or external arrangements were in place. In conjunction with the conflicts of interest and independence review as detailed on page 103, the continuing contribution of each Director was confirmed to be both positive and supportive of SSE’s long-term success.

The process for evaluating the Chair was managed by the Senior Independent Director, which involved a separate meeting with the non-Executive Directors and included feedback from the Executive Directors. It was confirmed by all, that through a period of strategic transition, within a challenging operating context, Richard has provided steady and focused leadership to the Board. This is supported through dedicating sufficient time to the role, setting an appropriate, respectful and constructive style and tone for Board discussions, and nurturing a balanced and collaborative Board culture, which encourages full Director participation and effective decision making.

As agreed in 2017/18, a Report from the Chair has been included on the standing Board agenda to provide feedback and relevant perspectives from the routine shareholder and stakeholder engagements which are carried out through the role. Going forward, it was noted that further benefit could be derived from increased, dedicated, non-Executive Director time, to allow further constructive discussion of Board matters, in addition to initial thinking on strategic or material considerations. Both of which would allow maximum benefit to be realised from the available non-Executive support and challenge. As a result, appropriate arrangements have been made within the Board schedule for 2019/20.

More information

More information on the activities which address the agreed actions from the 2017/18 Board evaluation can be found on the following pages:

- Strategic development pages 81 to 87
- Board site visits pages 96
- Inclusion and diversity pages 102 to 103

1 Schneider-Ross has no other connection with SSE or its individual Directors.
Nomination Committee Report

Dear Shareholder,

The Nomination Committee continues to play a key role in supporting SSE’s long-term sustainable success. The development and execution of appropriate strategy, creation of a supporting culture and promotion of guiding behaviours to ensure responsible and measured decision-making, are all underpinned by balanced and effective leadership. It is our responsibility to review and judge that within the Board and senior management this is in place, and that robust succession and development plans support this going forward.

In line with the above, during 2018/19 we have welcomed two new non-Executive Directors to the Board, having recommended the appointment of Tony Cocker in the last reporting period, and completed the recruitment process which recommended the appointment of Melanie Smith in the year under review. Tony and Melanie took up their respective positions on 1 May 2018 and 1 January 2019, and as a Committee, we believe these appointments enhance the experience of the Board and represent a continuing fit with SSE’s future needs. The dedicated search process which is used in relation to non-Executive appointments is set out on page 101.

We further thank Katie Bickerstaffe and Jeremy Beeton following their stepping down from the Board for their dedication to the role, as they ceased to be Directors on 30 April 2018 and 19 July 2018 respectively. Following the changes outlined, the Board comprises the Chair, six independent non-Executive Directors and three Executive Directors.

The Committee met six times in the year, and in addition to considerations surrounding progressive Board refreshment, we have assessed the impact of the directorate changes on Board Committee membership. A number of recommendations were made and agreed in the period to retain the appropriate knowledge and skill to support the activities of each Committee, and further details of these changes can be found in the report that follows.

At Board Committee-level, we have also seen the creation of the Energy Markets Risk Committee, whose role and membership has been designed to oversee the transition to SSE’s revised approach to managing commodity price exposures. This Committee met for the first time in January 2019, and further details of its specific remit can be found in its terms of reference, which are available on sse.com and its dedicated report on page 112.

All of the work set out above, is considered within the context of our standing commitment to inclusion and diversity. Our efforts in respect of monitoring the progress of agreed initiatives across the Group, and to enhancing the breadth of difference within the Board, senior management and the talent pipeline, must remain centred on credible outcomes which support SSE’s strategic and long-term intent. Through critical review of our Board inclusion and diversity policy, and supportive of our aim in achieving a Board that is generally gender-balanced, we proposed the adoption of a specific ambition surrounding female membership for implementation with immediate effect. This is now in place and set at a level of 33%, to be maintained on average over a three-year rolling period. On pages 102 and 103 we include details of progress against our agreed ambition, alongside a description of the Board’s policy on inclusion and diversity and how this has been implemented during the period. This is accompanied by information on our activities in relation to wider inclusion and diversity and people strategy, which include the opportunities for leadership and talent progression.

Through a holistic review of the changes introduced by the new 2018 Code and in preparation for its application in the next reporting period, we have also assessed forward-looking matters relevant to the Nomination Committee’s work. One aspect of which, is the suggested mechanisms for engaging with the workforce in order to understand and increase awareness of their views. In consideration of the well-established channels which are currently in place to listen and gather employee feedback, the creation of a dedicated non-Executive Director for Employee Engagement was deemed a complementary next step for the Board. The experience possessed by Sue Bruce through her previous appointments, in conjunction with her exposure and activities as Remuneration Committee Chair, resulted in the recommendation that she be appointed to this role. The Board approved this with effect from November 2018, and related work has included the development of a role profile and an engagement strategy and plan, details of which can be found on page 95.

In line with the 2018 Code, members of the Committee further considered the position of Company Chair tenure. Details of the process in which I did not participate are included on page 103.

I hope you find the following report interesting, and supportive of our focus on ensuring that SSE is equipped with the skills and capabilities for future success.

Richard Gillingwater CBE
Chair of the Nomination Committee
21 May 2019

<table>
<thead>
<tr>
<th>Members</th>
<th>Independent non-Executive Director</th>
<th>Member Since</th>
<th>Attended/scheduled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Gillingwater (Committee Chair)</td>
<td>N/A</td>
<td>2008</td>
<td>6/6</td>
</tr>
<tr>
<td>Jeremy Beeton</td>
<td>Yes</td>
<td>2014</td>
<td>2/2</td>
</tr>
<tr>
<td>Sue Bruce</td>
<td>Yes</td>
<td>2014</td>
<td>6/6</td>
</tr>
<tr>
<td>Tony Cocker</td>
<td>Yes</td>
<td>2018</td>
<td>5/5</td>
</tr>
<tr>
<td>Crawford Gillies</td>
<td>Yes</td>
<td>2015</td>
<td>6/6</td>
</tr>
<tr>
<td>Peter Lynas</td>
<td>Yes</td>
<td>2014</td>
<td>6/6</td>
</tr>
<tr>
<td>Helen Mahty</td>
<td>Yes</td>
<td>2016</td>
<td>6/6</td>
</tr>
<tr>
<td>Melanie Smith</td>
<td>Yes</td>
<td>2019</td>
<td>2/2</td>
</tr>
</tbody>
</table>

The Company Secretary is Secretary to the Nomination Committee.
1 Jeremy Beeton stepped down from the Nomination Committee and Board on 19 July 2018.
2 Tony Cocker was appointed to the Board from 1 May 2018 and joined the Nomination Committee on 19 July 2018.
3 Melanie Smith was appointed to the Board from 1 January 2019 and joined the Nomination Committee at this time.
**The role of the Nomination Committee**
The Nomination Committee is responsible for ensuring the Board, its Committees and SSE's senior management have the correct balance of skills, knowledge and experience, to effectively lead SSE both now and in the longer term. This is achieved through effective succession planning and talent development, and an understanding of the changing competencies required to support the Company’s strategy, purpose, vision, culture and values. The way in which this is supported through the current Board composition is set out on page 77.

The Committee also plays a key role in supporting inclusion and diversity throughout the whole of SSE, which at Board level involves reviewing and monitoring the range of perspectives and attributes, to ensure that they remain appropriate and continue to promote an open and cohesive culture. With enhancement of the mechanisms used to engage with the workforce, the Committee is now also responsible for recommending candidates for the role of non-Executive Director for Employee Engagement.

The full responsibilities of the Nomination Committee are set out in its terms of reference, which have been updated during the year in light of the revised 2018 Code. They are available to view in full on sse.com.

**Nomination Committee activities in 2018/19**

**Board succession**
Throughout the reporting period, the Committee continued to focus on the succession pipeline for the Board and senior management, with the need for further diversity on the Board being a key consideration in assessing potential new appointments. Considerations were further informed by shareholder feedback received during the year, and the findings of the annual Board and individual Director evaluations which highlighted that increased constructive challenge within the Boardroom, would be beneficial to Board decision-making as a whole.

In respect of senior executive roles, a higher focus on SSE’s ability to attract and develop a diverse range of people will be further required during 2019, in order to manage the opportunities and change presented through implementation of the revised Group operating model.

In line with the continuous and pro-active nature of succession planning, the Company has contingency, medium and long-term arrangements in place to ensure that change to the Board is well-managed and effective.

As such, Russell Reynolds Associates, were initially engaged in 2017/18 to assist the Committee with the search and identification of two independent non-Executive Directors to join the Board. This was to take place over a time frame of around 18 months and conducted as two separate directorate searches.

Details of the initial stage in this process was outlined in the 2018 Annual Report and resulted in the appointment of Tony Cocker as a non-Executive Director from 1 May 2018. Full details of Tony’s experience and external appointments can be found on page 75.

The second stage in this process, to support the appointment of an additional non-Executive Director is outlined below.

**Search for an additional non-Executive Director**

Discussions took place between Russell Reynolds Associates, the Chair and Chief Executive surrounding the specification for the role. Potential areas to inform the search process were agreed to include a strong business focus, clear knowledge of the customer and international experience, in addition to an enhanced focus on diversity.

A long list of candidates comprising different nationalities, including 10 serving executives was shared with the Committee in July 2018.

Following meetings between the Chair, Chief Executive and Russell Reynolds Associates a short list was compiled looking at level of experience, and broad skillset. The preferred candidates then met with the Chair, Chief Executive, Senior Independent Director and the Finance Director, with follow-up discussions by the Committee reflecting upon the ability to input into and challenge the strategic development process and support Company culture. The resulting recommendation to the Board was that Melanie Smith be appointed to the role and on 14 November 2018, it was announced that Melanie would join SSE as a non-Executive Director from 1 January 2019.

This followed confirmation of the time commitment required and a review of existing engagements for any actual or potential conflicts of interest.

Full details of Melanie’s experience and external appointments can be found on page 76.

**Board Committee membership**

To ensure that the Board Committees retain the correct balance of skills and experience, the Nomination Committee monitor overall composition and membership. As a result of the directorate changes during 2018/19, the below changes were recommended and subsequently agreed by the Board.

Following the AGM on 19 July 2018, Peter Lynas became a member of the Remuneration Committee and Tony Cocker joined the Nomination, Audit, and Safety Health and Environment Advisory Committees. Helen Mahy also became Chair of the Safety, Health and Environment Advisory Committee as of this date.

Upon appointment on 1 January 2019, Melanie Smith joined the Nomination Committee, before becoming a member of the Safety, Health and Environment Advisory Committee on 22 January 2019.

As announced previously, Sue Bruce assumed the role of Remuneration Committee Chair on 19 July 2018, and on 22 January 2019 stepped down from the Audit Committee.

Wider representation of SSE’s businesses was agreed in respect of the membership of the Safety, Health and Environment Advisory Committee and Rachel McEwen, Director of Sustainability and Nathan Sanders Managing Director SSE Enterprise Utilities, joined as members on 13 November 2018.

**Non-Executive Director for Employee Engagement**

During 2018/19, the Nomination Committee considered the appointment of an existing non-Executive Director to the newly created role of non-Executive Director for Employee Engagement. Following recommendation and Board approval, Sue Bruce assumed this position in November 2018 and further details are set out on page 95.

**Changes to senior management**
As explained on page 79, throughout 2018/19 SSE reviewed its Group operating model to improve and streamline the governance and decision-making processes across its businesses. As part of this work, the following changes have taken place.

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1. Russell Reynolds Associates, previously Zygos Partnership, have no other connection with the Company and are accredited for the FTSE 350 category under the enhanced voluntary code of conduct for Executive search firms.
In November 2018, SSE announced the creation of SSE Renewables and appointed Jim Smith as Managing Director of this business.

Rob McDonald was appointed Managing Director, Transmission and will build on the track record of success in Transmission, focusing on the pipeline of available investment opportunities, and preparations for the implementation of the RIIO-T2 Price Control from 2021.

Liz Tanner, former Director of Legal, became General Counsel on 1 March 2019.

In line with the above, Jim Smith and Rob McDonald are PDMRs and members of the newly formed Group Executive Committee and Liz Tanner attends meetings.

As the revised operating model reaches fruition during 2019/20, the Committee will continue to oversee relevant senior management opportunities across SSE.

Talent development
The Committee has continued to focus on talent and the ability to attract, retain and progress individuals to improve the overall capability of the Company. This has been facilitated through regular engagement with Group HR and with the managing directors of SSE’s businesses. The Committee has remained informed of the inclusive approach to setting up leadership teams for the revised Group operating model, which has involved the open posting of all roles to provide talented individuals with the opportunity to apply. Senior positions have been bench marked externally to ensure that the best talent is appointed to any role.

The Committee has overseen internal talent progress targeted mainly on two groups of people – potential future members of the Group Executive Committee and a broader leadership talent pool. Working with external partners, SSE has assessed and put in place development plans for members of these groups.

For the leadership talent pool, there are 65 individuals in the process of an 18-month development programme. Members of the Nomination Committee have engaged directly with some of these individuals in the process of an 18-month development programme. Members of the Nomination Committee have engaged directly with some of these individuals in the process of an 18-month development programme. Members of the Nomination Committee have engaged directly with some of these individuals in the process of an 18-month development programme. Members of the Nomination Committee have engaged directly with some of these individuals in the process of an 18-month development programme.

A new development programme for talented people deeper within the organisation, has been agreed for 2019/20 to further enhance the overall emerging leadership capability.

Additional information on the strategic development plans to further people development across the Group can be found on pages 32 to 35.

Inclusion and diversity
The Nomination Committee and Board are committed to ensuring that together the Directors possess the correct diversity of skills, experience, knowledge and perspectives to support the long-term success of the Company. In this regard, the role of diversity in promoting balanced and considered decision-making which aligns with SSE’s purpose, values and strategy is fully recognised.

All Board appointments are made on an objective and shared understanding of merit, in line with required competencies relevant to SSE as identified by the Nomination Committee, and consistent with SSE’s Board Inclusion and Diversity Policy, which further requires processes to be employed such that a diverse pool of candidates can be identified and considered. This policy was reviewed during the period to ensure that it remains appropriate to SSE and reflects recognised societal and stakeholder expectations, and is available to view on sse.com. Details of how the Policy is implemented in practice are set out on page 103, through the process used to support directorate appointments in line with SSE’s succession plans.

As set out in the Inclusion and Diversity Policy, ambitions may be developed and integrated into existing strategy and succession plans, to provide transparency surrounding where the Board aspires to be and allow reporting of any progress made. To be meaningful, these must be credible and realistic, and address the requirement for orderly succession and transition between appointments. The Board has therefore set an ambition of 33% female membership, to be maintained on average over a three-year rolling period, recognising the sensitivity of this level to changes both in the Board’s size and composition. The implementation of this ambition is believed to be in line with the ethos of the Hampton-Alexander Review, which is further supported within SSE through its “IN”, “ON” and “UP” strategy to improve gender balance across the organisation, and more specifically within leadership roles – see pages 32 and 34.

It is also consistent with achieving the ultimate goal of a Board that is generally gender-balanced.

The current measure against the above ambition (using previous 3 years from 31 March 2019) is 30% female membership. Further, Melanie Smith’s appointment and Macri background has increased the ethnic diversity of the Board in line with the recommendations set out in the Parker Review. Additional measures which are used to assess the diversity of the Board, are set out below.

Chair and non-Executive Directorship tenure

<table>
<thead>
<tr>
<th>Chair tenure</th>
<th>Non-Executive Directorship tenure</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>12</td>
<td></td>
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</tbody>
</table>

Director gender split as at 31 March 2019

Director age range as at 31 March 2019

Chair tenure | Non-Executive Directorship tenure | Years |
<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>61-70</td>
<td>51-60</td>
<td>41-50</td>
</tr>
<tr>
<td>51-60</td>
<td>41-50</td>
<td></td>
</tr>
<tr>
<td>41-50</td>
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</tr>
</tbody>
</table>

Further, Melanie Smith’s appointment and Macri background has increased the ethnic diversity of the Board in line with the recommendations set out in the Parker Review. Additional measures which are used to assess the diversity of the Board, are set out below.
To support the development of an inclusive and diverse talent pipeline, SSE’s HR function was tasked with delivering a number of agreed supporting initiatives throughout 2018/19. Progress on these initiatives was reviewed by the Committee during the year and included: increasing diversity on the Executive Committee sub-Committees; promoting the number of roles advertised that support flexible working arrangements; and ensuring that the majority of all opportunities are openly advertised. As this work moves forward, the Committee will continue to monitor and assess the progress made by these initiatives.

SSE’s increased participation in industry specific groups was also targeted during 2018/19, with SSE being an active contributor in the National Skills Academy for Power I&D Forum, a member of the UK voluntary POWERful Women (PiW) initiative, and the Chief Executive being involved directly as a founding member of the recently formed PiW Energy Leaders’ Coalition.

**Board and Committee tenure**

During the year the Committee recommended the re-appointment of Richard Gillingwater, Crawford Gillies and Helen Mahy to the Board for a further three-year term, subject to annual re-election by shareholders. This followed confirmation of their independence and continuing effective contribution to the Board, for which each individual abstained from their own review.

**Director conflicts and independence**

In January 2019, the Committee conducted its annual review of individual Director conflict authorisations as recorded in the Conflicts of Interest Register. The Conflicts of Interest Register is maintained by the Company Secretary and sets out any actual or potential conflict of interest situations which a Director has disclosed to the Board in line with their statutory duties. In order to form a view surrounding Director independence, when reviewing the above conflict authorisations, consideration was also given to other appointments held by each Director as well as the relevant outcomes of the annual individual Director and Board evaluations.

The Committee recognises the circumstances set out in the 2016 Code which could compromise a Director’s position, and this is also taken into account as appropriate. Each Director abstained from authorising and confirming his or her own position.

Following review, the Committee recommended to the Board that each conflict authorisation remained appropriate and that any new actual or potential conflict situations be approved. The continuing independence and objective judgement of each of the non-Executive Directors was also confirmed.

**Performance of the Nomination Committee**

The performance of the Committee was considered through the annual Board evaluation process, in which members were requested to provide specific feedback using a tailored questionnaire. From the responses provided, it was confirmed that the Committee continued to operate effectively, and that progress had been made in the year. A number actions for further improvement were also agreed, and included: maintaining focus on Board composition; a Confirmation Bias session to support ongoing work on inclusion and diversity; and focus on attracting external, and developing internal, talent from a wide range of backgrounds for senior roles.

**Board Chair tenure**

In recognition of the 2018 Code position on Chair tenure, the current leadership brought by Richard Gillingwater was assessed against the balancing needs of the Company and current succession plans. This involved conversations between the Chief Executive, Company Secretary, non-Executive Directors and Executive Directors. The outcome of these discussions is presented opposite. Richard Gillingwater and any other non-Executive Director who would be potentially conflicted were not involved in the deliberations of the Board on this matter.

Richard Gillingwater was first appointed to the Board of SSE in May 2007 and became Chair in July 2015. While mindful of the 2018 Code position, the Board of SSE continue to believe that Richard should Chair the Board for a further period, ending no later than 31 March 2021, when the RIIO-2 Price Control process will have concluded. Richard has agreed to do this subject to being re-elected to the Board at the Company’s AGM. In reaching this conclusion, Richard’s other current appointments have been taken into consideration.

The Directors believe that it is in the interests of SSE’s shareholders and other stakeholders that the Board, and therefore the Company as a whole, should continue to benefit from his objective judgement and the culture of openness and debate that he promotes. The qualities he brings to the role of Chair were highlighted in the 2018/19 independent external Board evaluation – see page 99.

In addition, they believe that by agreeing to remain as Chair for a limited time, Richard will continue to deploy over 20 years’ knowledge of the energy sector and the Company as the re-shaping of the SSE Group continues; and enable SSE to benefit from his deep insight on strategic, government and regulatory matters. This will be particularly important while the future of the UK’s relationship with the EU, and its consequences for politics, regulation and markets in the UK and Ireland, remains so uncertain. It will also be critical while the process for determining the RIIO-2 Price Control, which is of central importance to SSE’s earnings in the 2020s, moves towards its conclusion.

All of SSE’s six independent non-Executive Directors have been appointed from dates no earlier than 1 September 2013. A time-limited extension to Richard’s service as Chair will enable effective succession plans to be implemented and allow a thorough and successful handover to a new Chair to lead the Board, and support SSE being a successful and sustainable business in the 2020s. A process for identifying the new Chair will get under way in the course of this year.

In light of this, SSE expects to explain its position with regard to the 2018 Code provision on Chair tenure, rather than to comply with it, in its Annual Report 2020, when reporting against the 2018 Code comes into effect.
Audit Committee Report

Dear Shareholder,

As Chair of the Audit Committee (the Committee), I am delighted to present the Committee’s report for the financial year ending 31 March 2019. This report is intended to provide shareholders with an insight into how key topics are considered during the year, together with how the Committee discharged its responsibilities.

The Committee held four meetings in 2018/19 in line with the financial reporting calendar, with an additional meeting arranged as part of the external audit tender process. Whilst this report gives insight into matters consistent with last year’s report, I would like to draw your attention to a number of other areas considered during the year.

Firstly, this year the Committee has overseen a competitive tender process for a new External Auditor. A case study of the external audit tender process can be found on page 109. As announced in January 2019, Ernst and Young LLP (EY) have been identified as the new External Auditor and will undertake its review of the half-year results and audit for the full-year ending 31 March 2020. The appointment of EY as External Auditor is a matter which requires shareholder approval, and I would like to recommend that you support this appointment at the 2019 AGM. Please allow me to take the opportunity to thank the team at KPMG for their excellent contribution as SSE’s auditor and we look forward to working with EY in the future.

The second matter to highlight relates to our Internal Audit Function, which plays an integral role in SSE’s Assurance Framework and provides regular reports to the Committee. I reported last year that an external quality assessment of the function would be completed during the year and the results of this assessment are reported on page 111 of this report.

We also reviewed work undertaken for several accounting policy projects during the year, including IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments). We also reviewed the implementation plan and disclosures relating to IFRS 16 (Leases) which have been adopted by the Group with effect from 1 April 2019. Further information on accounting policies are provided in note 2.

In addition to the routine business, the Committee for the year ahead will have three areas of focus:

− Oversee the appointment of EY as External Auditor to ensure there is a smooth and orderly transition;
− Monitor and evaluate the completion of the recommended actions identified by the external quality assessment of Internal Audit; and
− Assess the impact of regulatory changes affecting the audit industry and how this will impact SSE and the work of the Committee.

I hope that you find this report informative and can take assurance from the work undertaken by the Committee during the year to deliver its key responsibilities.

Peter Lynas
Chair of the Audit Committee
21 May 2019

Committee role, members and attendance

The Committee’s role is to support the Board within the Corporate Governance Framework in matters relating to: the integrity of Financial Reporting; the relationship with the External Auditor; the effectiveness of the Internal Audit function; and the effectiveness of the System of Internal Control and Risk Management.

The Internal Control and Risk Management in relation to SSE’s energy market related exposures are overseen by the newly established Energy Markets Risk Committee.

The composition of the Committee currently comprises four non-Executive Directors as Committee members, with details of their attendance provided in the table below.

Tony Cocker was appointed as a member in July 2018 bringing his extensive knowledge of the energy sector, and Sue Bruce stepped down as a member in January 2019 but regularly attends meetings to gain insight to support her role as Chair of the Remuneration Committee.

The Committee meetings are routinely attended by: the Company Chair; the Finance Director; the Director of Risk, Audit and Insurance; the External Auditor; and the Deputy Company Secretary (who is Secretary to the Committee). In addition, the Committee also invites other senior finance and business managers to attend certain meetings. This allows the Committee to be given a deeper level of insight on certain business matters.

The Board believes the Committee to have the appropriate composition, skills and experience to discharge its responsibilities. The external evaluation of the Board and its Committees confirmed the effective operation of the Audit Committee.

<table>
<thead>
<tr>
<th>Members</th>
<th>Independent non-Executive Director</th>
<th>Member Since</th>
<th>Attended/ scheduled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Lynas 1 (Committee Chair)</td>
<td>Yes</td>
<td>2014</td>
<td>5/5</td>
</tr>
<tr>
<td>Tony Cocker 2</td>
<td>Yes</td>
<td>2018</td>
<td>4/4</td>
</tr>
<tr>
<td>Crawford Gillies 3</td>
<td>Yes</td>
<td>2015</td>
<td>3/5</td>
</tr>
<tr>
<td>Helen Mahy 4</td>
<td>Yes</td>
<td>2016</td>
<td>5/5</td>
</tr>
<tr>
<td>Sue Bruce 5</td>
<td>Yes</td>
<td>2014</td>
<td>4/4</td>
</tr>
</tbody>
</table>

1 Recent and relevant financial experience as the current Group Finance Director of BAE Systems plc and a Fellow of the Chartered Association of Certified Accountants.
2 Extensive knowledge of the energy sector gained through a 20 year career with E.ON, including as CEO and Chair of E.ON UK plc. Tony Cocker was appointed to the Board from 1 May 2018 and joined the Audit Committee on 19 July 2018.
3 Crawford Gillies was unable to attend two meetings during the year due to prior engagements which could not be re-arranged. On each occasion, Crawford provided feedback on the business being considered to the Committee Chair and this was duly raised at the meeting.
4 Energy sector experience through previous role as Company Secretary and General Counsel of National Grid plc.
5 Sue Bruce stepped down as a member of the Audit Committee on 22 January 2019.
Meetings and Activities in 2018/19
The Committee met on five occasions during the year and has met once since the end of the financial year. The additional meeting held this year was to consider presentations from audit firms as part of the external audit tender process.

A forward plan of agenda items informs the business considered at each meeting and is regularly reviewed and developed to ensure the work of the Committee is focused on key matters. This, along with ongoing challenge, debate and engagement, allows the Committee to effectively discharge its responsibilities.

In addition to the scheduled meetings, the Committee Chair meets separately with the Finance Director, Director of Risk, Audit and Insurance and KPMG to ensure the work of the Committee is focused on key and emerging issues.

Meetings of the Committee are held in advance of the Board meeting to allow the Committee Chair to provide a report of the key matters discussed, and this provides the opportunity for the Board to consider any recommendations.

Audit Committee responsibilities

<table>
<thead>
<tr>
<th>Financial reporting</th>
<th>External Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>review the integrity of the interim and annual financial statements;</td>
<td>review and monitor the objectivity and independence of the External Auditor, including the policy to govern the provision of non-audit services;</td>
</tr>
<tr>
<td>review the appropriateness of accounting policies and practices;</td>
<td>review and monitor the effectiveness of the external audit process and the ongoing relationship with the External Auditor; and</td>
</tr>
<tr>
<td>review the significant issues and judgements considered in relation to the financial statements, including how each was addressed; and</td>
<td>review and make recommendations to the Board on the tendering of the external audit contract, and the appointment, remuneration and terms of engagement of the External Auditor.</td>
</tr>
<tr>
<td>review the content of the Annual Report and Accounts and advise the Board on whether taken as a whole, they are fair, balanced and understandable.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk management and internal control</th>
<th>Internal Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>review and monitor the effectiveness of the management of risk and overall System of Internal Control;</td>
<td>review and approve the Internal Audit Plan and monitor its implementation; and</td>
</tr>
<tr>
<td>review the framework and analysis to support both the going concern and the long-term viability statement; and</td>
<td>review and monitor the effectiveness of the Internal Audit function.</td>
</tr>
<tr>
<td>oversee appropriate whistleblowing and fraud prevention arrangements.</td>
<td></td>
</tr>
</tbody>
</table>

1 The Committee Terms of Reference were updated in March 2019 to reflect the new 2018 Code position covering the Board’s responsibility for the oversight of matters relating to whistleblowing. The Committee’s Terms of Reference are available on sse.com.

Key matters considered by the Committee during the year

May 2018

- Reviewed the Preliminary Results and 2018 Annual Report, including alternative performance measures, viability statement and going concern and made a recommendation to the Board.
- Received reports on the status of various accounting projects including: IFRS 15 (Revenue Recognition); IFRS 9 (Financial Instruments); and the then planned demerger of SSE Energy Services.
- Received a report on the Group’s tax position.
- Reviewed letters of representation issued to the External Auditor for the full year results prior to them being agreed by the Board.
- Reviewed the response to the Financial Reporting Council (FRC) letter on 2017 Annual Report and ensured that recommendations were embodied within the 2018 Annual Report.

- Considered the accounting, financial control and audit issues from the External Auditor’s report on the 2017/18 audit.  
- Reviewed the effectiveness of the external audit process.
- Reviewed the independence of the External Auditor.
- Monitored the level of non-audit fees and approved any new non-audit engagements.
- Assessed the plan for the tender of the external audit contract.
- Held a private meeting with the External Auditor.

- Reviewed the effectiveness of the Internal Audit function.  
- Received an update on the delivery of the 2017/18 Internal Audit plan and progress with the 2018/19 Internal Audit plan.
- Reviewed Treasury operations, including the funding plan, liquidity and going concern.
- Reviewed the viability statement and supporting analysis.
- Reviewed the System of Internal Control and made a recommendation to the Board on its effectiveness.
- Received an update on SSE’s preparation for the implementation of the General Data Protection Regulation.

- Received a report on the disclosure of information to KPMG.  
- Agreed the narrative of the 2017/18 Audit Committee Report.
Audit Committee Report continued

**September 2018**
- Agreed the external audit plan for 2018/19
- Agreed the external audit engagement and audit fee for 2018/19.
- Discussed the FRC’s latest Audit Quality Review on KPMG.
- Reviewed the Non-Audit Services Policy.
- Monitored the independence and level of non-audit fees and approved any new non-audit engagements.
- Monitored the employment of former auditors.
- Reviewed the materiality threshold for the 2018/19 audit.
- Received an update on the status of the external audit tender.
- Reviewed the accounting of the then planned demerger of SSE Energy Services.
- Received an update on the work of Internal Audit, including progress with the 2018/19 Internal Audit plan.
- Reviewed the arrangements, incidents and trends arising from whistleblowing.
- Considered a report on the key risks and controls arising from operations within Energy Portfolio Management.
- Reviewed the Committee’s terms of reference.

**November 2018**
- Considered the Key Accounting Judgements and the Interim Financial Results.
- Reviewed letters of representation issued to the External Auditor for the half-year results prior to them being agreed by the Board.
- Received reports on the status of various accounting projects including: IFRS 15 (Revenue Recognition); IFRS 16 (Leases); statutory accounts; and update of exceptional items policy.
- Recommended to the Board the accounting treatment of the then planned demerger of SSE Energy Services at the half-year.
- Considered the accounting, financial control and audit issues from the External Auditor’s report on the 2018/19 half year audit.
- Reviewed the independence of the External Auditor.
- Monitored the level of non-audit fees and approved any new non-audit engagements.
- Received an update on the status of the external audit tender.
- Held a private meeting with the External Auditor.
- Received an update on the work of Internal Audit, with progress provided on the 2018/19 Internal Audit plan.
- Reviewed Treasury operations, including the funding plan, liquidity and going concern.
- Reviewed the output of an exercise to test SSE’s defences against cyber security threats.
- Received an update on progress with the Group Risk Programme.
- Received an update on Group-level fraud risks, corruption and anti-financial crime governance.
- Approved the Committee business planner and areas of focus for 2019/20.

**December 2018**
- Reviewed proposals and received presentations from tendering audit firms and made a recommendation to the Board to appoint a new External Auditor of the Company for the year beginning 1 April 2019.
- Reviewed an update on the adoption of IFRS 16: Leases.
- Reviewed a report on the statutory accounts preparation process for the subsidiary companies within the SSE Group.
- Considered the findings from the External Auditor’s controls report.
- Monitored the level of non-audit fees and approved any new non-audit engagements.
- Received an update on the work of Internal Audit, with progress provided on the 2018/19 Internal Audit plan.
- Approved the Committee business planner and areas of focus for 2019/20.

**February 2019**
- Considered the findings from the External Auditor’s controls report.
- Monitored the level of non-audit fees and approved any new non-audit engagements.
- Received an update on the work of Internal Audit, with progress provided on the 2018/19 Internal Audit plan.
- Reviewed a report on the external quality assessment of Internal Audit and Group Compliance.
- Received an update on the work of Group Compliance function.
- Considered scenarios to stress test the viability assessment.
- Held a private meeting with Director of Risk, Audit and Insurance.
- Discussed the reporting themes to be included in the 2019 Audit Committee Report.
- Reviewed a report on Anti-Corruption and Financial Crime Governance.
- Considered the output of the performance evaluation of the Committee which was undertaken as part of the wider Board evaluation.

**May 2019**
- Considered the appropriateness of the accounting in relation to the Significant Financial Judgements and Exceptional Items in 2018/19.
- Reviewed the Preliminary Results and 2019 Annual Report, including alternative performance measures, viability statement and going concern and made a recommendation to the Board.
Financial reporting
The Annual Report and Accounts seek to provide the information necessary to enable an assessment of the Company’s position and performance, business model and strategy. In preparing the Financial Statements for 2019 there are several areas requiring the exercise by management of judgement or a high degree of estimation. Throughout the year, the Finance team worked closely with the External Auditor to ensure SSE provides the required level of disclosure. This section outlines the significant areas of judgement that have been considered by the Committee – through discussion and detailed reporting by both management and the External Auditor – to ensure appropriate rigour has been applied. Other key accounting judgements applied in the preparation of the Financial Statements for 2019 are provided in note 4.2.

Significant financial judgements

<table>
<thead>
<tr>
<th>Significant financial judgements for the year ended 31 March 2019</th>
<th>How the Audit Committee addressed these significant financial judgements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Carrying value of certain non-current assets:</strong> The carrying value of certain non-current assets in the Group – including thermal generation plants (specifically, Keadby, Marchwood and Great Island) and gas production assets – are assessed by reference to the recoverable value (value-in-use or fair value less costs to sell) of the asset or the associated Cash Generating Unit. An annual valuation/impairment exercise is carried out. The assumptions applied in this exercise require judgements on the economic factors associated with the assets under review. Further details are provided in note 4 and note 15 to the Financial Statements.</td>
<td>The basis and outcome of this review is presented to the Committee by management and includes a description of the assumptions applied in deriving the recoverable values. The Committee reviewed and challenged the assumptions and projections presented in the management paper and considered the detailed reporting from, and findings by, the External Auditor. Following this review, the Committee supported the recommendation to recognise a combined impairment reversal of £27m in relation to these assets in the financial year.</td>
</tr>
<tr>
<td><strong>Accounting for estimated revenue:</strong> The Group’s household energy and services business in Great Britain is presented as held for disposal as at 31 March 2019. Despite the presentation as held for disposal, the estimation of revenue arising from its energy supply business remains a significant financial judgement in the preparation of the Group’s consolidated financial statements. Revenue from energy sales includes estimates of the value of electricity and gas supplied to customers between the date of the last meter reading and the financial year end. These are based on estimates and assumptions in relation to the consumption and valuation of that consumption. Further details are provided in note 4 and note 18 to the Financial Statements.</td>
<td>The Committee reviewed the practical process issues and assumptions applied in determining the basis of recognition of “unbilled” debtors, with particular reference to domestic electricity and gas. The Committee also considered the findings of the External Auditor. Following this review, the Committee supported this judgement.</td>
</tr>
<tr>
<td><strong>Accounting for Group pension obligations:</strong> The estimates in relation to the cost to the Group of providing future post-retirement benefits can have a material impact on the financial position of the Group. These estimates require assumptions to be made about uncertain events such as discount rates and longevity. Further details are provided in note 4 and note 23 to the Financial Statements.</td>
<td>The assets and liabilities of the Group’s defined benefit retirement schemes are regularly reviewed. Advice is taken from independent actuaries on the IAS 19R valuation of the schemes. The Committee was updated on the schemes’ valuation and considered the findings of KPMG in relation to the scheme’s key assumptions relative to market practice. Following this review, the Committee supported the judgements made.</td>
</tr>
<tr>
<td><strong>Presentation of Energy Services:</strong> On 17 December 2018, the Group announced that the proposed transaction with Innogy would not be proceeding, as the Group determined it would not in the best interests of customers, employees or shareholders. The Group continues to believe that the best long-term future for the business lies outside of the SSE Group and has been actively progressing a range of options including a possible sale, alternative transaction or standalone listing. The Group is therefore also continuing with steps to increase SSE Energy Services’ autonomy and independence and continue progress towards new, alternative ownership or a listing by the second half of 2020. Further details of the new structure are provided in note 4.</td>
<td>At 31 March 2019, the Committee and Board has reassessed the IFRS 5 criteria for presentation of the business as held for disposal. Given the Group’s stated commitment to dispose of SSE Energy Services; the significant work performed to separate the business as an independent, self-sufficient entity within the Group, and significant progress made on delivery of a listing or new, alternative ownership by the second half of 2020, the Audit Committee and Board has reconfirmed that the IFRS 5 criteria have been met and therefore it remains highly probable that a disposal transaction will be completed. The Group has therefore presented the SSE Energy Services business as a discontinued operation and held for disposal. “Held for disposal”, as presented throughout the 2019 Annual Report and Financial Statements may be either “held for sale” or “held for distribution” as defined by IFRS 5.</td>
</tr>
</tbody>
</table>
Audit Committee Report continued

Going concern and Viability Statement
The Committee agreed the parameters of, and reviewed the supporting report for, the going concern statement (see A6.3 Accompanying Information to the Financial Statements) and the statement on the Board’s assessment of the prospects of the Company (the viability statement on page 67). The Committee had a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future (12 months). The Financial Statements are therefore prepared on a going concern basis.

The Committee reviewed the period covered by the viability statement and continues to be of the view that a three-year period remains the most appropriate timespan in this regard.

Fair, balanced and understandable assurance framework
The assurance framework used in the preparation of the 2019 Annual Report and Accounts to assist the Directors discharge their requirement to state that, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the company’s performance, business model and strategy for shareholders to assess the company’s performance, business model and strategy is as follows:
- a verification process dealing with the factual content;
- comprehensive reviews undertaken independently by senior management to consider messaging and balance;
- comprehensive reviews undertaken by the Company’s brokers to ensure consistency and balance;
- reporting by the External Auditor of any material inconsistencies; and
- comprehensive review by the Directors and the senior management team.

The Committee and Board received confirmation from management that the assurance framework had been adhered to for the preparation of the 2019 Annual Report.

External Audit
External Auditor
KPMG was appointed as the External Auditor in 1999 following a formal tender process. At the 2018 AGM, shareholders re-appointed KPMG as the External Auditor of the Company for the year ended 31 March 2019 and authorised the Committee to fix their remuneration. The current lead Audit Engagement Partner, Bill Meredith, is in the fifth and final year of his term.

As reported in the SSE Annual Report since 2014, the Board believed it was in the best interests of the Company and shareholders to tender the audit contract for the year ending 31 March 2020.

Based on the output of a robust external audit tender process, the Committee recommended, and the Board confirmed, the appointment of EY as the new External Auditor for the year ended 31 March 2020. The appointment of EY requires shareholder approval and will be proposed to shareholders at the 2019 AGM. The case study opposite provides information on the audit tender process and transition arrangements.

The Committee confirms the tender has complied with provisions of the CMA Audit Order.

Effectiveness
On behalf of the Board, the Committee continued to review the effectiveness of the External Auditor on an ongoing basis to ensure the quality, rigour and challenge of the external audit process is maintained.

The Committee recognises the importance of management engagement in the effectiveness of the external audit process. The practice of briefing management on their obligations in relation to the provision of information to the External Auditor has continued and the Committee received assurance that such obligations had been discharged.

During the year, the Committee has reviewed the following:
- the quality of audit planning covering the approach, scope, and level of fees for the audit;
- delivery and execution of the agreed external audit process for 2018/19;
- quality, knowledge and expertise of the KPMG audit engagement team;
- the competence with which KPMG handled and communicated the key accounting and audit judgements;
- the communication and engagement between management, KPMG and the Committee;
- the output from a questionnaire completed by senior management seeking views on KPMG’s capability, performance and professional scepticism in providing external audit services; and
- KPMG’s latest FRC Audit Quality Review report and actions it was taking to address identified issues.

The Committee confirmed the external audit process provided by KPMG has been delivered effectively.

Independence and objectivity
In addition to the annual review of effectiveness, the Committee considered the independence and objectivity of KPMG through a combination of:
- assurances provided by the External Auditor on the safeguards in place to maintain independence;
- oversight of the non-audit services policy and fees paid; and
- oversight of policy on employing former auditors.

Non-Audit Services Policy
The Non-Audit Services Policy governs the engagement of the External Auditor to provide non-audit services. This policy was reviewed by the Committee during the year to ensure that it remained fit for purpose.

Non-Audit Services are split into three categories for the purposes of approval:
- Audit-Related Services. Services that would usually be pre-approved by the Committee as part of the approval of the total annual audit fee.
- Permitted Non-Audit Services. Services where the Committee has approved the use of the External Auditor subject to the following limits: the Finance Director up to £50,000; the Committee Chair up to £100,000; and the Committee above this amount.
- Prohibited Non-Audit Services. Services where the External Auditor is not permitted to deliver the type of work as it could compromise independence.

The Committee keeps under review the services KPMG provides by reviewing a report at each meeting.

External Auditor Fees
Fees for Audit and Audit-Related Services incurred during the year amounted to £1.4m and £1.1m for Permitted Non-Audit Services. Fees paid to KPMG during the year are made in note 6 to the Financial Statements.

The permitted Non-Audit services were:
- Demerger Related Fees. The Committee determined during 2017/18 that it was appropriate for KPMG to provide the required due diligence and reporting accountant services in respect of the then planned demerger of SSE Energy Services and this continued during 2018/19. KPMG undertook an ethics review, which confirmed that the proposed services were consistent with the FRC’s Revised Ethical Standards 2016 and that there were appropriate safeguards in place to preserve KPMG’s independence as External Auditor. The fee for this work during 2018/19 was £0.8m for the preparation of the circular and listing prospectus for the demerger of SSE Energy Services, and an additional £0.25m for transaction synergy related work. Both of these amounts are included within the total reported £1.1m for Permitted Non-Audit Services.
**Other Services.** KPMG was not instructed to provide any other significant new Non-Audit Services for the Group in 2018/19. Permitted Non-Audit Services of £0.05m principally related to the issuance of debt and regulatory accounts and returns required by Ofgem. The Committee was satisfied that the work was best handled by KPMG because of its knowledge of the Group.

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**Internal Control and Risk Management**

**Internal Control**

The Board has delegated to the Committee responsibility for reviewing the effectiveness of SSE’s System of Internal Control. This covers all material controls including financial, operational and compliance controls, in addition to the financial reporting process.

To assist the Committee’s review of the System of Internal Control, the different elements are evaluated by relevant key stakeholders. These evaluations are assessed by the Finance Director and a letter is provided to the Committee summarising the work conducted in the year to improve the control environment and making a recommendation on the overall effectiveness of the System of Internal Control.

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**Key milestones of the external audit process**

- **September 2018**
  - The Request for Proposal was issued, detailing evaluation criteria that would be used by the Committee in informing its decision:
    - Understanding of the SSE Group’s business and identification of areas of audit risk
    - Key challenges facing industry;
    - Insight and proactivity;
    - Capability of audit team in terms of skills and experience;
    - Experience from other utility companies audited by the firm
    - Clear planning and audit approach;
    - Early and informed discussions;
    - Procedures for ensuring quality of audit, independence and managing conflicts of interest when undertaking both audit and non-audit engagement; and
    - Ability to build strong relationships and rapport
  - Data room opened to the participating audit firms

- **October/November 2018**
  - Initial questions/requests for further information received from the two tendering audit firms.
  - Meetings were held with each tendering firm and the Committee Chair, Finance Director and other key members of SSE’s senior management team. These meetings allowed the tendering firms to get a better understanding of the key requirements of the business.
  - The key members of SSE’s senior management were asked to provide feedback following each meeting as input into the subsequent decision-making process.
  - Written proposal documents received and reviewed

- **December 2018**
  - Selection interviews were conducted. The participating firms delivered presentations and a question and answer session. The selection interviews included members of the Committee, the Chair of the Board, and Finance Director.
  - The Committee recommended to appoint EY as External Auditor, which was approved by the SSE plc Board.

**Audit Transitional Plans**

The proposed External Auditor, EY, is undertaking activity in preparation for the external audit of the SSE Group for the 2020 audit cycle. This will aid a smooth transition and allow EY to embark on the 2020 audit as well prepared as possible. This activity includes:

- A review of its non-audit services provided to the SSE Group and the necessary steps to ensure auditor independence;
- Liaising with the outgoing External Auditor during the 2019 audit cycle, including shadowing at key audit meetings;
- Meetings with key members of the SSE senior management team at Group and business level.

EY will complete the review of the half-year results and audit for the full-year ending 31 March 2020.

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The tender was open to audit firms outside the Big Four. KPMG was not invited to tender having been the Group’s auditors since 1999.
Risk Management
The Group’s Risk Management Framework is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only therefore provide reasonable and not absolute assurance against material misstatement or loss.

During the year, the Board carried out a robust assessment of the Principal Risks facing the Group (as set out on pages 66 to 71), being those that have the potential to threaten the business model, future performance, solvency or liquidity.

Internal Control and Risk Management effectiveness
Following the Committee’s review and recommendation, the Board agreed that SSE’s System of Internal Control (including risk management) continues to be effective, although the Board has revised its approach to the management of commodity risk as set out on page 92. This was in accordance with the requirements of the FRC Guidance on Risk Management, Internal Control and related Financial and Business Reporting.

Internal Audit
Internal Audit plays an important role in SSE, helping the organisation to deliver its objectives by bringing a risk-based, independent and objective approach to evaluating and improving the effectiveness of risk management, internal control and governance processes.

The Director of Risk, Audit and Insurance has management responsibility for the Internal Audit function. In addition to the normal corporate reporting structure, he has the right of direct access to the Chief Executive, the Committee and the Company Chair.

Internal Audit Plan
The annual Internal Audit Plan is structured to align with SSE’s strategic priorities and key risks. An integrated assurance mapping and planning process is undertaken to ensure that Internal Audit work is appropriately aligned to, and coordinated with, the activities of other relevant assurance providers across the Group. The Internal Audit Plan comprises both fixed and flexible elements to be able to respond to any change in priorities and requirements. The plan also includes audits of key transformational programmes, financial control and areas relating to responsible behaviour and non-financial risk.

At each Committee meeting, the Internal Audit Plan progress is reviewed along with significant findings and the tracking of remedial actions. The Committee also tracks overdue actions.
Internal Audit Effectiveness
The Committee keeps under review the effectiveness of the activities undertaken by Internal Audit by monitoring the following:

- **Internal audit feedback**. Reports on: the development and delivery of the internal audit plan; the delivery of actions from reviews; audit resource and expertise; and “management awareness” and priorities.

- **Management feedback**. Output of post-Audit Surveys and the views or the Chief Executive, Finance Director and other Senior Management.

- **Internal Auditor feedback**. Feedback provided by the External Auditor.

- **External quality assessment**. An external Independent review was completed during the year, with the output of this review described below.

Having considered the external quality assessment of Internal Audit, the Committee confirms it is satisfied with the overall performance of the Internal Audit Function.

**External quality assessment of Internal Audit**
During the financial year, BDO carried out an external quality assessment of SSE’s Internal Audit function. The objective of this assessment was to evaluate the degree of Internal Audit’s conformance with the requirements of the Chartered Institute of Internal Auditors (CIIA) standards, which includes the International Professional Practices Framework (IPPF) and the Code of Conduct. Performance against leading practices and comparable organisations were also considered. Conformance with CIIA standards requires that external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. SSE has chosen for these to be conducted every three years.

The assessment considered Internal Audit’s positioning within the organisation and the quality of its planning and operational procedures. The assessment incorporated survey and sample interviews of Internal Audit’s stakeholders across the Group, along with a review of working papers and outputs from a number of recent internal audits.

BDO’s assessment concluded that the Internal Audit function was exhibiting a satisfactory level of maturity for the business and is generally performing to a good standard. SSE scored the generally conforms (highest) rating for 47 of the standards and a partially conforms rating for the other five. The assessment highlighted some improvement opportunities to further enhance the Group’s overall Assurance Framework. An action plan has been developed to address these enhancements which will be monitored and evaluated by the Committee.
Energy Markets Risk Committee Report

Role
The purpose of the Committee is to oversee SSE’s energy markets risk exposures. In doing so, the Committee assists the Board in the effective discharge of its responsibilities in relation to risk management and internal control in this area. Detailed responsibilities are set out in the Committee’s terms of reference, which can be found on sse.com.

Membership and composition
The membership of the Committee is set out in the table below and comprises three non-Executive Directors, two Executive Directors and the Director of Group Risk, Audit and Insurance. The Chief Executive and the Director of Energy Portfolio Management and Investment routinely attend meetings, with an Assistant Company Secretary acting as Secretary. Biographical information of individual members’ background and experience are contained on pages 74 to 76.

To assist the Committee in the discharge of its responsibilities, relevant senior managers can be invited to attend and present certain items of business and provide additional levels of insight, whilst the agreed composition of the Committee facilitates the sharing of experience held by the non-Executive Directors. As Committee Chair, Tony Cocker brings extensive knowledge from his career in the energy industry, and Richard Gillingwater and Crawford Gillies both provide valuable insights and a wealth of knowledge from various senior roles in the private and public sectors.

Members of the EMRC are appointed by the Board following recommendation by the Nomination Committee, with the current membership approved in November 2018.

Meetings and activities in 2019
Since the Committee’s establishment three meetings have been held, two meetings prior to, and one following the financial year end.

The matters considered at each meeting are informed by a forward plan of business, which is designed to ensure the Committee can discharge its responsibilities in line with its terms of reference. The Committee has several standing items which are considered at each meeting which are:
- A review of the Energy Markets Risk report, which allows the Committee to:
  - Oversee the implementation/monitor the progress of the implementation of revised hedging arrangements by April 2020;
  - Monitor Energy Portfolio Management’s counterparty credit risk exposures; and
  - Consider the current liquidity of energy markets.
- Reports from Internal Audit and details of action plans related to the Energy Portfolio Management business.
- Updates received on emerging risks/ issues which could influence energy markets.

In addition to these standing items, the Committee selects certain focus areas for detailed review. Since the Committee’s formation, these focus areas have included:
- Reviewed its terms of reference to ensure that they are fit for purpose, followed by onward recommendation to the Board for approval;
- Reviewed and approved the Committee’s forward-looking Business Planner; and
- Received a report on the trading of Ireland’s Integrated Single Electricity Market.

The business discussed at Committee meetings and the timely circulation of reports and information, together with ongoing challenge, debate and engagement, enables the Committee to discharge its responsibilities in line with its terms of reference. The Committee will continue to develop and regularly review the forward plan of business to accommodate any emerging issues and risks to the Group in relation to energy markets.

<table>
<thead>
<tr>
<th>Members</th>
<th>Independent non-Executive Director</th>
<th>Member Since</th>
<th>Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tony Cocker (Committee Chair)</td>
<td>Yes</td>
<td>2019</td>
<td>2/2</td>
</tr>
<tr>
<td>Richard Gillingwater</td>
<td>Yes</td>
<td>2019</td>
<td>2/2</td>
</tr>
<tr>
<td>Crawford Gillies</td>
<td>Yes</td>
<td>2019</td>
<td>2/2</td>
</tr>
<tr>
<td>Martin Pibworth</td>
<td>No</td>
<td>2019</td>
<td>2/2</td>
</tr>
<tr>
<td>Gregor Alexander</td>
<td>No</td>
<td>2019</td>
<td>2/2</td>
</tr>
<tr>
<td>Gavin Brydon ¹</td>
<td>N/A</td>
<td>2019</td>
<td>2/2</td>
</tr>
</tbody>
</table>

¹ Gavin Brydon was Director of Risk, Audit and Insurance during the financial year.
Dear Shareholder,

Having become Chair in July 2018, I am pleased to present the Safety, Health and Environment Advisory Committee (SHEAC) report for the year ended 31 March 2019. On behalf of the Board, I would like to thank Jeremy Beeton for his significant contribution as a member of the Committee from 2011 and as Committee Chair since 2014.

SSE brings together people with talent, skill and common values to create value for shareholders and society by developing, operating and owning energy-related infrastructure and businesses. SSE operates in a hazardous industry, with unique safety, health and the environment (SHE) challenges and risks facing each of its business areas. For this reason, SSE promotes a strong safety culture through its Safety value and a mantra of “if it’s not safe, we don’t do it”. This mantra has become our safety “licence” and is designed to make sure all employees are empowered to do the right thing and as a result can get home safe.

I am encouraged by the executive team to get out and visit operations to see first hand some of the real SHE challenges that face the business, as well as hear about the positive action that is taking place. Over the year I have visited operational sites across SSE’s key businesses, as well as attending the Group safety conference, and I have been pleased to see safety is taken very seriously by all. I was particularly impressed by my visit to Galway Wind Park in Ireland, where I saw the strong focus on environment and ecology at the site, and by the great work I witnessed the Networks business around mental health awareness, when I visited its site in Portsmouth.

SSE’s SHE performance for 2018/19 continues to show a year-on-year improvement. There are fewer people hurt, fewer Road Traffic Collisions and fewer environmental permit breaches. Continuing progress has also been made to address mental health issues, with the introduction of Mental Health First Aiders, as well as strong ground work to develop a more comprehensive Group Environment Strategy.

Considerable progress is being made towards SSE’s 50by20 ambitions, which you can read more about in this report, but the Committee remains mindful of the challenges of ensuring SSE’s contractors have the same safety outcomes as SSE does.

The change in Chair provided an opportunity to refocus the Committee’s approach to meeting its objectives more effectively. This has included changing the membership of the SHEAC to broaden the skills and perspectives of the Committee and increasing visibility through more operational site visits. Insights gained have been hugely instructive and have informed the work and considerations of the SHEAC.

I hope that you find the following report a useful explanation of both our work and of SHE performance during the year.

Helen Mahy CBE
Chair of the SHEAC
21 May 2019

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### 2018/19 performance

#### Safety

- **Total Recordable Injury Rate – employees and contractors combined (per 100,000 hours worked)**
  - 0.16

- **Number of people hurt**
  - 82

#### Health

- **Accumulative total of managers trained in mental health awareness**
  - 2,850

#### Environment

- **Environmental permit breaches**
  - 4

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<table>
<thead>
<tr>
<th>Members</th>
<th>Independent non-Executive Director</th>
<th>Member Since</th>
<th>Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helen Mahy (Committee Chair)</td>
<td>Yes</td>
<td>2016</td>
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</tr>
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<td>Sue Bruce</td>
<td>Yes</td>
<td>2013</td>
<td>4/4</td>
</tr>
<tr>
<td>Tony Cocker</td>
<td>Yes</td>
<td>2018</td>
<td>3/3</td>
</tr>
<tr>
<td>Melanie Smith</td>
<td>Yes</td>
<td>2019</td>
<td>1/1</td>
</tr>
<tr>
<td>Colin Nicol</td>
<td>N/A</td>
<td>2016</td>
<td>4/4</td>
</tr>
<tr>
<td>Jim Smith</td>
<td>N/A</td>
<td>2016</td>
<td>4/4</td>
</tr>
<tr>
<td>Rachel McEwen</td>
<td>N/A</td>
<td>2018</td>
<td>0/1</td>
</tr>
<tr>
<td>Nathan Sanders</td>
<td>N/A</td>
<td>2018</td>
<td>1/1</td>
</tr>
<tr>
<td>Mark Patterson</td>
<td>N/A</td>
<td>2013</td>
<td>4/4</td>
</tr>
<tr>
<td>Jeremy Beeton</td>
<td>Yes</td>
<td>2011</td>
<td>1/1</td>
</tr>
</tbody>
</table>

1 Helen Mahy assumed the position of Chair of the SHEAC on 19 July 2018.
2 Tony Cocker was appointed to the Board from 1 May 2018 and joined the SHEAC on 19 July 2018.
3 Melanie Smith was appointed to the Board from 1 January 2019 and joined the SHEAC on 22 January 2019.
4 Rachel McEwen became a member of the SHEAC on 13 November 2018. She was unable to attend the Committee meeting in March 2019 due to a prior engagement that could not be rearranged.
5 Nathan Sanders became a member of the SHEAC on 13 November 2018.
6 Jeremy Beeton stepped down from the SHEAC and Board on 19 July 2018.
7 Senior executive from within the business.
Responsibilities
The role of the SHEAC is to advise the Board on matters relating to safety, health and the environment. It provides a leadership forum for non-Executive Directors to work with senior management and shape policy, targets and strategy to improve SHE performance and culture.

The SHEAC reviews and oversees the implementation of three significant Group policies: Safety and Health Policy; Environment and Climate Change Policy; and Sustainability Policy.

The Committee ensures it has access to a range of both internal and external stakeholder perspectives to help it better achieve its core focus – to review SHE performance and advise on the strategy to bring about a positive culture of continuous improvement.

Finally, given that SHE matters largely relate to SSE’s external impacts, the SHEAC has an overarching role in supporting SSE’s commitment to be a sustainable company that makes a positive contribution to the communities and societies of which it is part.

Full detail of the remit of the SHEAC is set out in its terms of reference, which were reviewed during the year and are available on sse.com.

Composition
The membership of the SHEAC currently comprises four non-Executive Directors, the Chief Sustainability Officer, three Senior Managers with significant operational responsibilities in SSE’s Wholesale, Networks and Enterprise businesses, and the Group Safety, Health and Environment Manager. Members of the SHEAC are appointed by the Board following recommendation by the Nomination Committee.

There were several changes to the composition of the Committee over the course of 2018/19. Helen Mahy took on the role of Chair of the SHEAC after Jeremy Beeton stepped down from the Board following the AGM on 19 July 2018. In addition, two non-Executive Directors (Melanie Smith and Tony Cocker), the Chief Sustainability Officer and the Managing Director of SSE Enterprise Utilities joined the Committee. These new members bring a broader range of skills and perspectives to the SHEAC, providing wider representation of SSE’s businesses and more comprehensive consideration of external social and environmental impacts.

The SHEAC provides a leadership forum for the non-Executive Directors to share their knowledge and expertise with senior management. Tony Cocker has extensive knowledge of the sector, including insight into operational matters. Melanie Smith brings important perspective from a variety of retail and customer focused industries. Their addition to the Committee complements the knowledge of existing members – Helen Mahy brings a wealth of knowledge from her career in the energy industry and from chairing the SHE Committee at Stagecoach Group plc, and Sue Bruce provides valuable insights from various senior roles in the public sector.

The Chief Executive routinely attends meetings and the Deputy Company Secretary is Secretary to the SHEAC.

Meetings and activities in 2018/19
The SHEAC met four times in 2018/19, with one of these meetings including a visit to the operational site of the Slough Heat and Power plant in Berkshire. The SHEAC has an annual work plan designed around SSE’s Enduring Goals, with standing items covering safety, health and environmental performance; incidents and trends; risks; and priorities.

SSE has worked with its principal contractor to arrive at the safest option for the demolition work to be carried out. During the visit, the SHEAC met with senior representatives from the contractor and got a tour of the site to see first-hand the scale of the demolition activity planned. There will be no explosive demolition associated with this project, instead the boilers will be lowered from the boiler house, which will then be deconstructed. Other safety provisions of the project include the provision of an onsite paramedic.

Significant environmental monitoring is also taking place in relation to the works. Strict controls around limits for noise, vibration and dust, and measures for monitoring these have been agreed with Slough Borough Council.
With the transition to a new Chair of the Committee, the opportunity was taken to consider how the SHEAC could operate to meet its terms of reference more effectively. Areas of enhancement included: increasing visibility of progress being made “on the ground” through more site visits; broadening the content of meetings; and changing the membership of the Committee to reflect changes in priority of the business. The above work, in conjunction with the annual Board and Committee evaluation process which was again carried out during the year, confirmed that the work of the SHEAC remains appropriate and that the Committee continues to fulfill its stated remit.

The SHEAC also continued to monitor the rollout of the 50by20 strategy: to reduce SSE’s Safety incident rate by 50%; to have no life changing injuries; to have 50% increase in our people active on health; and, to get everyone home safe.

Other matters which the SHEAC focused on during the year included: process safety performance; deep dives into SSE’s different business areas to focus on the key SHE issues they face; occupational health and wellbeing performance; rollout of the new Safety Family language; and the approach to reporting SSE’s sustainability impacts.

The Group Safety, Health and Environment Committee (GSHEC), which reports into the Group Executive Committee, supported the strategy of the SHEAC in the continual improvement of SHE management and performance, by overseeing the eight Enduring Goal Subgroups which sit under the GSHEC. These are:

- 50by20 Subgroups – these four groups are in place to deliver a transformation in SSE’s approach to: Contractor Safety; Safety Family; Occupational Health and Wellbeing; and Operational Safety.
- Enduring Goal Subgroups – these four groups are in place to deliver a continuous improvement and to share best practice across SSE in: Process Safety; Driving; Environment; and Crisis Management.

Performance in 2018/19

SSE’s safety performance has improved across all key measures between 2018/19 and the previous year; however, incidents and accidents still occur. SSE’s rolling Total Recordable Injury Rate (TRIR) for employees and contractors combined fell to 0.16 per 100,000 hours worked, from 0.20 the previous year. There were also considerably fewer potentially life changing injuries, falling to three from 13 the previous year.

The SHEAC fully endorses the safety licence of “if it’s not safe, we don’t do it” which is at the heart of SSE’s 50by20 strategy for safety improvement that was progressed across the Group in 2018/19.

With its safety licence now firmly embedded across the business, SSE has continued to build on this momentum throughout 2018/19, in particular through the adoption of the Safety Family principles:
- We take care of ourselves and each other.
- We take pride in our work and work place.
- We plan, scan, and adapt.
- We see, sort it, report it.

SSE also continued to roll out its influencing behaviours training and to date over 9,000 employees have taken part, which represents most of SSE’s employees in operational roles. This training has helped employees understand how normal human behaviours can influence our work and has reinforced positive discussions around safety.

Progress has been made towards addressing mental health issues, with around 550 colleagues trained as Mental Health First Aiders and 2,850 managers trained in mental health awareness and support, as at 31 March 2019.

The primary focus for the SHEAC on environmental issues is to ensure SSE’s business units mitigate the risk of environmental damage occurring because of their operations. In 2018/19, SSE’s environmental permit breaches fell by over two thirds compared to the previous year, to four from 15. During 2018, SSE successfully completed its transition to the most recent version of the environmental management system (EMS) Standard, ISO14001:2015, for key business units which interact with the environment. The implementation of the EMS ensures appropriate management systems are in place to provide more rigorous and structured management of environmental issues and impacts.

In addition to this, considerable progress has been made to develop a Group Environment Strategy which will introduce simple but powerful Group-wide environmental targets for the short-, medium- and long-term.

More information on SSE’s SHE performance for 2018/19 can be found in the Sustainability Report 2019.

2018/19

SHEAC evaluation process

Outcome: Action taken to change the membership of the SHEAC, broaden the content of meetings and introduce more operational site visits.

Occupational Health and Wellbeing

Outcome: Oversaw extension of the pilot musculo-skeletal and mental health initiatives to additional business areas and focused on rates of absenteeism arising from stress, anxiety and depression.

Process Safety

Outcome: Reviewed progress on process safety performance and took an in depth look at process safety in SSE’s Wholesale business.

Environment

Outcome: Approved and provided feedback on the development of a more comprehensive Group Environmental Strategy.

Sustainability impact reporting

Outcome: Feedback provided on, and approach approved for, the reporting of SSE’s social and environmental impacts in its Sustainability Report 2019.

Communications

Outcome: Oversaw the new Safety Family language rollout and endorsed recruitment of coaches and champions to reinforce the positive Safety Family culture.

2019/20

Safety Family

Oversaw the rollout of SSE’s Empowering Supervisors programme.

Contractor Safety

Continuing focus on Contractor Safety and influencing good SHE practices among contractors.

Occupational Health and Wellbeing

Promote effective use of existing tools and supporting processes to make a positive contribution to health and wellbeing.

Environment

Further development and embedding of a comprehensive Group Environment Strategy.

Performance and culture

Ensure continued focus and improvement of SSE’s SHE performance against a backdrop of business change.
Dear Shareholder,

The objective of the Directors’ Remuneration Report for 2018/19 is to set out in a simple and transparent way how SSE pays its Directors (both Executive and non-Executive); the decisions made on their pay and how much they received in relation to 2018/19.

The report also describes how remuneration links to the Company’s purpose and strategy; how the Remuneration Committee works, and how it has considered the perspectives of SSE’s stakeholders. After three years our Directors’ Remuneration Policy is due for renewal this year and thus we have set out in detail the Directors’ Remuneration Policy which will be subject to a binding vote at the 2019 AGM.

In the course of engagement throughout 2018/19, we have received clear feedback from shareholders and other stakeholders that they would welcome incentives that are linked to climate change and sustainability for senior leaders. Within the context of the existing remuneration policy, the Remuneration Committee agreed in March 2019 to align an element of the Annual Incentive Plan to the achievement of four fundamental business goals for 2030. Those four goals are themselves aligned to the Sustainable Development Goals (SDGs) of the UN, setting a framework for how sustainability should be regarded by SSE’s leadership team.

**Linking Executive Directors’ remuneration with SSE’s purpose and strategy**

Our remuneration policy is designed to be sustainable and simple and to facilitate diligent and effective stewardship that is vital to the delivery of SSE’s core purpose of providing the energy needed today and building a better world of energy for tomorrow, and our strategy of creating value for shareholders and society.

A sustainable approach to executive pay that is consistent with SSE’s wider commitment to being a responsible employer is fundamental to the remuneration policy. Fairness is a central pillar of the policy – fairness to Executive Directors in recognition of the extent of their responsibilities, and fairness relative to the rest of the SSE team whose shared talent, skills and values are essential to SSE’s success. The extent of their responsibilities means Executive Directors are well paid, but the remuneration policy is designed to, among other things, ensure they are not overpaid. Using reference points such as the ratio of the Chief Executive’s pay to pay in SSE (which we have again chosen to disclose voluntarily) and wider workforce pay considerations are as important to us as the use of external benchmark data when setting executive pay levels.

SSE is committed to being transparent in the way it does business. To this end, and mindful of the continuing public debate about executive pay, the Committee strives to keep remuneration arrangements clear, consistent and simple to enable effective stakeholder scrutiny. In part our decision to renew the Directors’ Remuneration Policy on broadly the same basis as before, is based on the belief that the current arrangements are embedded into the business and well understood both internally and externally.

The provision of energy needed today and building a better world of energy for tomorrow is, by definition, a long-term commitment that requires long-term stewardship. A remuneration policy that offers fair reward for the leadership, expertise and strategic decision-making required in a challenging market is critical to SSE’s future success. Our remuneration policy promotes sustainable performance over the longer term through significant deferral of remuneration and holding periods. Equally, Executive Directors are expected to demonstrate commitment by building and maintaining a substantial personal shareholding in the business.

**Performance-related pay out-turns in 2018/19**

Stakeholders are concerned that the variable elements of remuneration should clearly reflect performance in relation to objectively set targets and that failure to achieve such targets should not be glossed over.

The Annual Incentive Plan (AIP) is determined against a broad range of financial, operational, strategic and personal performance targets collectively designed to reflect business performance each year. In 2018/19, the formulaic assessment resulted in an outcome of 39% of the maximum opportunity.

Nevertheless, it is impossible to overlook the fact that SSE’s financial results for 2018/19 fell well short of what was expected at the start of the financial year, and so the Committee concluded that it should exercise its discretion and make no AIP award to the three Executive Directors.

The Performance Share Plan (PSP) awards granted in 2016 are due to vest following the 2018/19 financial year, subject to financial, operational and value-creation performance measured over the three-year period. These have been objectively assessed as resulting in an out-turn of 26% of the maximum opportunity.

This is the second time in three years that the Committee has exercised its discretion to reduce – or in this case eliminate – an award under the AIP. While the Committee values greatly the leadership, capability and insight of the Executive Directors, it is in their...
interests and that of SSE as a whole that remuneration policy should be strong on paper and robust in practice.

UK Corporate Governance Code
The new UK Corporate Governance Code comes into effect for SSE from 1 April 2019, but as set out on pages 86 and 87, the Board has already implemented many of its provisions and will continue to develop these over the next year.

As announced in November 2018, I have been formally appointed as the designated non-Executive Director for Employee Engagement. This is a role that is responsible for wider employee engagement, not just with regards to remuneration, but as the Remuneration Committee Chair I am well positioned to feed back to the whole Committee, so we are fully aware of employee sentiment and views when making decisions on executive pay. As part of my Remuneration Committee responsibilities, I have continued to meet with representatives of SSE’s recognised Trade Unions during the year, and meetings have covered a range of business issues including executive pay.

The Committee has responsibility for overseeing pay for the Group Executive Committee (GEC) and is kept well informed of pay and employment conditions throughout the Group. However, we have formalised this so that the Committee has full responsibility for setting GEC pay and reviewing all-employee reward will now form a standing item which is considered at least annually by the Committee.

Policy review
Many of the prevailing themes of the new Code are already incorporated in SSE’s remuneration policy. However, the timely review of the remuneration policy ahead of its renewal at the 2019 AGM has given us the opportunity to reconfirm this and adjust as required. At the same time the Committee has been cognisant of proxy agency and investor guidance as well as feedback we have received from shareholders as part of our ongoing engagement.

As noted in the Strategic Report, SSE’s evolving business model is now focused on regulated energy networks and renewable energy. Despite these business changes our core reward principles are enduring and we think the current policy is flexible enough to allow some modifications to the way we implement our pay arrangements. We have therefore decided to propose some specific minor amendments in 2019 and to review again when the evolving business model is more clearly established.

As part of the policy review, we consulted with our major shareholders and prominent proxy agencies on a number of points. The engagement was particularly helpful in forming the Committee’s approach on the three following areas:

- Pension arrangements – we are proposing a new policy for new executive appointments to the Board to align pension contributions with the wider employee population.
- Post-employment share ownership – our Executive Directors are already required to hold shares to the value of two times their salary. In respect of post-employment share holdings, SSE was in the vanguard of practice on this. Deferred bonus awards which have vested (the career share awards) are held for one year after employment ceases. We are proposing to increase the shareholding period from one year after employment ceases to two years as an extension to our existing policy, combined with (a) our approach to good leavers under incentive plans (where the default approach does not allow accelerated vesting), (b) the holding period attached to our PSP awards (which continues to apply post-cessation) and (c) taking into account the current shareholdings of the longest-serving Directors. On a conservative estimate, the net value of the shares that the Chief Executive will hold under this policy will be around 300% of salary.
- Maximum PSP levels – the current recruitment policy suggests a maximum PSP level of 225%. This is to be reduced to 200% for new appointments, in line with the maximum for the current Chief Executive.

Whilst the Committee is of the view that this renewed policy inclusive of the changes above is fit for purpose, it will be kept under review in light of developments in the business model and strategy. If felt appropriate, a new remuneration policy may be proposed for shareholder approval within the usual three-year life of a policy. Any such change would be the subject of consultation with major shareholders and other stakeholders as required.

Implementation of pay policy 2019/20
The Committee agreed to a salary freeze for Executive Directors for 2019/20 which is below or in line with the wider SSE employee population. Performance measures have also been updated to reflect our changing business model, most notably a change to AIP to incorporate a new sustainability measure.

Aligning UN SDGs to the Annual Incentive Plan
We have made changes to the non-financial measures of the AIP to create a balanced approach to the performance measures of the most senior leaders, designed with a variety of stakeholders in mind. With four new business goals for 2030 designed to tackle climate change and support global goals for sustainable development, the Remuneration Committee agreed that 20% of the AIP would be focused on the performance against meeting these long-term goals. The goals are: cutting the carbon intensity of electricity generated, trebling renewable output; accommodating 10m electric vehicles; and, championing fair tax and the real Living Wage. These goals represent the most material contribution SSE can make to the UN SDGs and chime with feedback given by both SSE’s shareholders and stakeholders. This new approach to the non-financial element of the AIP will be implemented in full in 2019/20.

Delivery of SSE’s strategy is dependent upon the shared talent, skills and values of people throughout SSE and remuneration policy must reflect that. It must also support SSE’s desire to be a company for which people want to work, in which people want to invest, from which people want to buy and with which people want to partner.

I would welcome any feedback or comments on this Report. We will continue to endeavour to report remuneration matters with clarity and transparency and would welcome any suggestions on how we can add to those qualities in the future.

Dame Sue Bruce DBE
Chair of the Remuneration Committee
21 May 2019

SUMMARY OF COMMITTEE’S ACTIVITIES DURING THE YEAR

- Review of Executive Directors’ performance
- Analysis of UK regulatory and market practice
- Board engagement with SSE employees and recognised Trade Unions
- Risk assessment in respect of Directors’ Remuneration Policy
- Review of Directors’ Remuneration Policy for 2019/20 and beyond
- Setting performance metrics and targets for 2019/20
- Below Board pay/all-employee pay
Remuneration at a Glance

Remuneration policy in 2019/20
The illustration below shows how SSE intends to operate its Directors’ Remuneration Policy in 2019/20. SSE’s core reward principles remain unchanged and therefore the policy will renew at the 2019 AGM on broadly the same basis as the previous policy. The policy is set out in full on pages 120 to 127.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Fixed Pay</strong></td>
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<tr>
<td>Salary</td>
<td>Set with reference to pay increases for the wider employee base</td>
<td>Salary paid</td>
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<td>Benefits</td>
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<td>Benefits paid</td>
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<td>Pension</td>
<td>Final salary and top up/pension allowance</td>
<td>Pension accrual/allowance paid</td>
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<tr>
<td><strong>Variable pay – at risk</strong></td>
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<tr>
<td>Annual Incentive Plan (AIP)</td>
<td>CEO 150% of salary. FD and ED 130% of salary 67% cash/33% career shares</td>
<td>AIP cash paid</td>
<td>AIP career share awards granted</td>
<td>Awards vest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Share Plan (PSP)</td>
<td>CEO 200% of salary. FD and ED 175% of salary 2-year holding period</td>
<td>PSP awards granted</td>
<td>PSP awards vests</td>
<td>Holding period ends</td>
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<tr>
<td><strong>Additional governance</strong></td>
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<tr>
<td>Share ownership requirement</td>
<td>200% of salary</td>
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<tr>
<td>Recovery and withholding</td>
<td>All incentives</td>
<td>Clawback: misstatement, serious misconduct, error in calculation Malus: misstatement, misconduct, serious reputational damage, error in calculation</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Post-employment</td>
<td>Career shares</td>
<td>Holding requirement for career shares until two years after cessation of employment</td>
<td></td>
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</tbody>
</table>

SSE has pursued opportunities to lead the way on good corporate governance, and many of the changes to the UK Corporate Governance Code were adopted early. As an extension of this, there are three key changes proposed to the remuneration policy, these are:

<table>
<thead>
<tr>
<th>Previous policy</th>
<th>Revised policy</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension contributions set with consideration to the cost of the arrangements, market practice, the pension arrangements which operate elsewhere in the Company and the arrangement which was in operation at that time when the Executive Director was originally appointed.</td>
<td>Pension contributions and/or cash allowance capped at 12% of salary for new Executive Director appointments.</td>
<td>To better align pension provisions of new entrants to all employees. The Group has a wide variety of pension arrangements and the contributions for the defined contribution scheme range from 6% to 21% of salary. Taking into account the service profile of the Group’s employees (more than 60% have at least five years’ service) a contribution of 12% of salary is well aligned.</td>
</tr>
<tr>
<td>The maximum PSP level for new recruits was 225% of salary.</td>
<td>The maximum PSP level for new recruits has been reduced by 25% to 200% of salary in line with the current CEO’s arrangements.</td>
<td>We listened to shareholders’ views and this is in line with our commitment to being a responsible employer.</td>
</tr>
<tr>
<td>Holding requirement for career shares under AIP until one year after cessation of employment.</td>
<td>From 2019/20 onwards, all career shares deferred under AIP will require to be held by the Executive Director until two years post-cessation.</td>
<td>We listened to shareholders’ views and want to further support long-term commitment and stewardship.</td>
</tr>
</tbody>
</table>
Factors in renewing the policy
The Remuneration Committee considered a range of factors in renewing the remuneration policy for Executive Directors in 2019, one of which was alignment with pay practices across the wider workforce. The table below illustrates how remuneration policy and practice compares across the different groups of employees throughout SSE.

<table>
<thead>
<tr>
<th></th>
<th>Base Salary</th>
<th>Benefits</th>
<th>Pension</th>
<th>Short Term Incentive</th>
<th>Long Term Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td>Base salary is typically set with reference to the market and wider workforce considerations.</td>
<td>A range of voluntary benefits in line with the wider workforce plus contractual car and private medical benefits.</td>
<td>All employees are a member of the SHEPS or SEPS defined benefit pension scheme, or the Pension+ defined contribution scheme unless they have opted or cashed out. The arrangements are diverse and the employer cost typically ranges from 3% to 38% of salary when both DC and DB are taken into account.</td>
<td>Annual Incentive Plan linked directly to business performance – 50% financial, 50% non-financial. 33% of the total award is deferred as career shares.</td>
<td>The Performance Share Plan is a share award with performance linked to strategic performance measures.</td>
</tr>
<tr>
<td><strong>Group Executive Committee</strong></td>
<td>Annual increases are typically in line with or less than the wider employee population.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Senior Management</strong></td>
<td>Base salary levels are subject to negotiation with recognised trade unions and/or are set in line with market requirements.</td>
<td>A range of voluntary benefits are available to all employees, such as a cycle to work scheme, a holiday purchase scheme, health benefits, and enhanced maternity, paternity and adoption leave.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wider Workforce</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Strategic performance
Executive Directors’ remuneration is strongly linked to strategic performance. Some of SSE’s strategic performance measures are detailed below, with an indication of how they link to remuneration. While financial performance has shown a general decline, SSE has delivered against its dividend target and performed well against a range of non-financial measures.

<table>
<thead>
<tr>
<th>Adjusted EPS</th>
<th>DPS</th>
<th>TSR (FTSE 100)</th>
<th>TSR (MSCI)</th>
<th>Taxes Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>67.1p AIP and PSP</td>
<td>97.5p AIP and PSP</td>
<td>Rank 63 of 92 PSP</td>
<td>Rank 19 of 21 PSP</td>
<td>£404m in the UK AIP (Excellence)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Recordable Injury Rate</th>
<th>Citizens Advice Complaints League</th>
<th>Cashflow</th>
<th>Renewable Output</th>
<th>Job Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.16 per 100,000 hours worked AIP (Safety)</td>
<td>Rank 5 of 35 PSP and AIP (Service)</td>
<td>10.3% AIP (Efficiency)</td>
<td>9,779 AIP (Sustainability)</td>
<td>105,250 in UK and Ireland AIP (Teamworking)</td>
</tr>
</tbody>
</table>

In light of financial performance, the Remuneration Committee has exercised discretion over the out-turn of AIP and applied a downward adjustment to the award. Subsequently, Executive Directors will receive no payment in respect of this element of remuneration. Shares awarded under the PSP in 2016 will payout at 26% of maximum.
Directors’ Remuneration Policy

The following sets out SSE’s Directors’ Remuneration Policy (the “Policy”). The Policy is subject to a binding shareholder vote at SSE’s AGM on 18 July 2019 and, if approved, will apply from this date.

The Remuneration Committee believes that SSE’s remuneration principles are enduring and that the existing policy sufficiently addresses current legislation whilst maintaining adequate flexibility to withstand recent business changes. For these reasons, it is proposed that the policy remains broadly unchanged in 2019, and that it is reviewed again when the evolving business model is more clearly established.

The key changes between this Policy and the policy which was approved by shareholders at SSE’s AGM on 21 July 2016 relate to the following:
- Recruitment policy in relation to employer’s pension contributions for new appointments are to be capped at 12% of base salary in line with the wider workforce (see page 120 (8)).
- The holding period for deferred career shares awarded under the Annual Incentive Plan (AIP) is to be extended from one-year post-cessation of employment to two years (see page 121 (9)).
- The maximum PSP level is to be reduced from 225% to 200%, in line with the current CEO, for any new appointments (see page 122 (8)).

<table>
<thead>
<tr>
<th>Base Salary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose and link to strategy</td>
<td>The base salary supports the retention and recruitment of Executive Directors of the calibre required to develop the Company’s strategy, deliver efficient operations and investments, and engage effectively with the Company’s key stakeholders. It is intended to reflect the role and its responsibilities, business and individual performance measured against SSE’s strategy and core purpose of providing the energy people need in a reliable and sustainable way, and to have an awareness of competitive market pressures.</td>
</tr>
<tr>
<td>Operation</td>
<td>The Committee sets base salary taking into account:</td>
</tr>
<tr>
<td></td>
<td>- the individual’s skills, experience and performance;</td>
</tr>
<tr>
<td></td>
<td>- salary levels at other FTSE 100 companies and other energy businesses;</td>
</tr>
<tr>
<td></td>
<td>- remuneration of different groups of employees and wider internal pay arrangements; and</td>
</tr>
<tr>
<td></td>
<td>- the overall policy objective to remain below market median on a total remuneration basis for the FTSE 20-50 excluding financial services companies.</td>
</tr>
<tr>
<td></td>
<td>Base salary is normally reviewed annually with changes effective from 1 April. It may be reviewed more frequently or at different times of the year if the Committee determines this is appropriate.</td>
</tr>
<tr>
<td>Maximum opportunity</td>
<td>Salary increases will normally be capped at the typical level of increases awarded to other employees in the Company. However, increases may be above this level in certain circumstances, including but not limited to:</td>
</tr>
<tr>
<td></td>
<td>- where a new Executive Director has been appointed to the Board at an initially lower base salary with the intention that larger salary increases would be awarded for an initial period of time as the Executive Director gains experience;</td>
</tr>
<tr>
<td></td>
<td>- where there has been a significant increase in the scope and responsibility of an Executive Director’s role or where they have been promoted; and</td>
</tr>
<tr>
<td></td>
<td>- where a larger increase is considered necessary to reflect significant changes in market practice.</td>
</tr>
<tr>
<td>Performance measures</td>
<td>When setting and reviewing salaries annually, the Remuneration Committee considers Executive Directors’ performance to ensure that SSE fulfils its core purpose of providing energy needed today and striving for a better world of energy for tomorrow. They should also assess delivery on SSE’s strategic focus of creating value for shareholders and society from developing, operating and owning energy and related infrastructure and services in a sustainable way.</td>
</tr>
<tr>
<td>Pension</td>
<td>Pension planning is an important part of SSE’s remuneration strategy because it is consistent with the long-term goals of the business. The approach to pension supports the Company’s ability to retain experienced Executive Directors and develop talent internally.</td>
</tr>
</tbody>
</table>

### Pension

- **Purpose and link to strategy**
  - Pension planning is an important part of SSE’s remuneration strategy because it is consistent with the long-term goals of the business.
  - The approach to pension supports the Company’s ability to retain experienced Executive Directors and develop talent internally.

### Operation

- **The current Chief Executive and Finance Director participate in either the Southern Electric Pension Scheme or the Scottish Hydro-Electric Pension Scheme, the same schemes which any employee recruited at that time participates in. These schemes are funded final salary (subject to the cap on future increases in pensionable pay described below) pension schemes. Where an Executive Director is subject to the scheme-specific salary cap (which mirrors the provisions of the previous HMRC cap arrangements) the Company provides top-up unfunded arrangements (“UURBS”) up to the maximum benefit outlined below.**
  - **The current Energy Director receives a pension allowance in lieu of accruing future pension benefits. This predates his appointment as an Executive Director and is in line with other former defined benefit scheme members who have opted out.**
  - **The Committee will operate alternative pension provisions for new appointments to the Board, in line with arrangements for SSE employees.**

### Maximum opportunity

- **For existing Executive Directors, the pension arrangements provide for a maximum pension of two-thirds of final salary, normally at age 60. From 1 April 2017, future pensionable pay increases will be capped at RPI + 1% (regardless of the level of any actual increases in salaries).**
  - **For new appointments, employer’s pension contributions are capped at 12% of base salary in line with arrangements for SSE employees.**

### Performance measures

- **Not applicable.**
### Benefits

**Purpose and link to strategy**
To provide a market-competitive level of benefits for Executive Directors.

**Operation**
The objective is to provide the appropriate level of benefits taking into account market practice at similarly sized companies and the level of benefits provided for other employees in the Company.

Core benefits currently include car allowance, private medical insurance and health screening.

Executive Directors are eligible to participate in the Company's all-employee share plans on the same terms as UK colleagues. The Company currently operates the Share Incentive Plan and the Sharesave Scheme.

In the event that an Executive Director was required to relocate to undertake their role, the Committee may provide additional reasonable benefits to reflect the relevant circumstances.

The Committee may introduce or remove particular benefits if it is considered appropriate to do so.

Travel and business-related expenses incurred which may be treated as taxable benefits will be reimbursed in accordance with the Company's expenses policy.

**Maximum opportunity**
When determining the level of benefits the Committee will consider the factors outlined in the "Operation" section. The cost will depend on the cost to the Company of providing individual items and the individual's circumstances and there is no maximum benefit level.

**Performance measures**
Not applicable.

### Annual Incentive Plan (AIP)

**Purpose and link to strategy**
In line with the need to achieve a suitable balance of fixed and variable remuneration, the purpose of the AIP is to reward Executive Directors' performance during the year, based upon achievement of performance targets. The performance targets are linked to SSE's strategy and core purpose.

Compulsory deferral into SSE shares provides alignment between Executive Directors' interests and the long-term interests of shareholders. This alignment is reinforced as the deferral takes the form of an award of career shares, which are shares that cannot be disposed of for two years after the Executive Director has stepped down.

**Operation**
The Committee determines the level of incentive at its absolute discretion taking into account performance in each of the measures, the underlying performance of the business and Executive Directors' management of, and performance in, all of the business issues that arise during the year.

Performance is typically assessed over a financial year. Below threshold performance, no payment is made. Where performance reaches or exceeds the maximum, 100% of bonus for this element is payable.

The award will normally be delivered:
- 67% in cash; and
- 33% in deferred shares, which will be granted as a career share award

The Committee may determine that a different balance of cash and deferred shares may be awarded.

Deferred shares are granted in the form of a career share award under the Deferred Scheme. Career share awards will normally vest three years from the award date (unless the Committee determines an alternative vesting period is appropriate) subject to continued employment with accrual of dividends over that period. Until vesting, the awards may accrue additional dividend shares. Dividend equivalents may be determined by the Committee on a cumulative basis and may assume reinvestment of dividends in the Company's shares.

Following vesting, the after-tax number of shares under the career share award will be held in a nominee account until the second anniversary of the cessation of the Executive Director’s employment with the Company (irrespective of the circumstances of such cessation) or, if earlier, until death or the occurrence of a change of control of the Company. In the event that the Committee implements the career deferral holding period in such a way that Executives do not have beneficial ownership of the shares, dividends may accrue or be paid during the holding period following vesting.

In certain circumstances as set out in the plan rules the Committee may at its discretion apply malus to outstanding awards under the AIP or unvested career share awards prior to the relevant vesting or payment date, and/or claw back the cash or share portion of awards under the AIP for up to three years after the cash payment date of the relevant award. The Committee may adjust and amend the terms of the career share awards in accordance with the Deferred Scheme rules.

**Maximum opportunity**
Maximum annual incentive opportunity is equal to 150% of base salary for the Chief Executive and 130% of base salary for the Finance and Energy Directors.
Annual Incentive Plan (AIP) continued

Performance measures
The annual incentive is normally based on a mix of financial measures and measures related to the strategic performance of the business.
A minimum of 50% of the annual incentive will be based on financial performance.
The strategic performance of the business is generally determined with reference to its core purpose of providing energy needed today and striving for a better world of energy for tomorrow, and therefore normally includes matters such as safety, customer service in the Networks and Business Energy business and investment decision-making and execution, as well as the personal performance of the Executive Directors. The Committee determines the exact metrics each year depending on the key strategic objectives for the forthcoming year and ensures that they are appropriately stretching in the context of the business plan.
In determining the final out-turn the Committee considers Executive Directors’ management of, and performance in, all of the business issues that arose during the year.
The Committee may review the detailed targets and weightings of measures year on year, as well as the appropriate threshold levels of vesting and performance.
Around 50% of the incentive is paid if target levels of performance are delivered with the full incentive being paid for delivering stretching levels of performance.
The part of the AIP that is deferred in the form of deferred shares or a career share award is not subject to any further performance conditions.

Performance Share Plan (PSP)

Purpose and link to strategy
The purpose of the PSP is to reward Executive Directors, over a three-year performance period and a further two-year holding period, for their part in delivering the sustained success of SSE and to ensure that their interests are aligned with those of the shareholders who invest in the Company.

Operation
Shares are awarded which normally vest based on performance over a period of three years. Awards granted to Executive Directors will be subject to an additional two-year post-vesting holding period during which time the Executive must retain the post-tax number of shares vesting under the award.
No vestings is possible for below threshold performance. The percentage of shares that vest at threshold takes account of the toughness of the target and varies accordingly. All the shares vest if the maximum performance standard is reached or exceeded.
The Committee shall determine the extent to which the performance conditions have been met. No shares shall vest unless the Committee is satisfied with the underlying financial performance of the Company. Awards do not vest until after the end of the performance period.
Until vesting, PSP awards may accrue additional dividend shares. Dividend equivalents may be determined by the Committee on a cumulative basis and may assume reinvestment of dividends in the Company’s shares.
In certain circumstances set out in the PSP rules the Committee may at its discretion apply malus to outstanding awards prior to vesting and/or claw back vested awards for up to three years after the vesting date of the relevant award.
The Committee may adjust and amend awards in accordance with the PSP rules.

Maximum opportunity
The maximum value of award that can be granted under the PSP per award is equal to 200% of base salary for the Chief Executive and 175% of base salary for the Finance and Energy Directors.

Performance measures
The Committee determines targets each year to ensure that they are stretching and represent value creation for shareholders while remaining realistically achievable for management.
Awards vest based on relative total shareholder return, financial based measures and customer satisfaction.
At least 70% of the award will be based on financial and relative total shareholder return measures. The Committee may review the detailed targets and weightings of measures year on year, as well as the appropriate threshold levels of vesting and performance.

Share Ownership Policy

Purpose and link to strategy
A key element of SSE’s remuneration policy is to align the interests of Executive Directors with those of shareholders who invest in the Company.

Operation
Shareholding is normally built up via shares vesting through the PSP, deferred shares from the AIP and all employee share schemes and Executive Directors may also choose to buy shares.
Vested career shares under the Deferred Scheme (which, except in certain circumstances, must be retained for two years post-cessation of employment) may also count towards the Executive Director’s shareholding.

Maximum opportunity
Executive Directors are expected to maintain a shareholding equivalent to two times base salary built up within a reasonable timescale.
Consent to sell shares is not normally given (unless in exceptional circumstances) until this level of shareholding is reached.

Performance measures
Not applicable.
Chair and Non-Executive Directors’ Fees

<table>
<thead>
<tr>
<th>Purpose and link to strategy</th>
<th>Fees are set at a level which provides reward for undertaking the role and are sufficient to attract and retain individuals with the calibre and experience to contribute effectively at Board level.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation</td>
<td>The Committee is responsible for determining fees for the Chair. The Board is responsible for determining fees for other non-Executive Directors. Fees are reviewed at appropriate intervals against companies of a similar size and complexity. Fees are set in a way that is consistent with the wider remuneration policy. The fee structure may be made up of: - a basic Board fee or Chair fee; - an additional fee for any committee chairship or membership; and - an additional fee for further responsibilities e.g. Senior Independent Director, non-Executive Director for Employee Engagement or periods of increased activity. Non-Executive Directors do not participate in the Annual Incentive Plan, Deferred Bonus Scheme or any of the share schemes, or contribute to any group pension scheme. Non-Executive Directors do not currently receive any benefits. Benefits may, however, be provided in the future for non-Executive Directors if in the view of the Board this was considered appropriate and they may also be provided in the future for the Chair if in the view of the Committee this was considered appropriate. Reasonable travelling and other expenses for costs incurred in the course of the non-Executive Directors undertaking their duties are reimbursed (including any tax due on the expenses). It is also expected that all non-Executive Directors should build up a minimum of 2,000 shares in the Company.</td>
</tr>
<tr>
<td>Maximum opportunity</td>
<td>The aggregate level of non-Executive Director fees shall not exceed the maximum limit set out in the Articles of Association.</td>
</tr>
<tr>
<td>Performance measures</td>
<td>There are no direct performance measures relating to Chair and non-Executive Director fees, although the performance of the Board is subject to annual evaluation, including an evaluation of individual members.</td>
</tr>
</tbody>
</table>

Performance measures and targets
The Committee sets a range of performance measures linked to Executive Directors’ remuneration that are simple, transparent and balanced. They have a clear link to strategic objectives and support value creation for shareholders. Performance targets will be stretching and maximum performance will only be attained for true out-performance. Where possible, targets will be disclosed prospectively unless commercial sensitivity precludes this, in which case they may be disclosed at an appropriate time retrospectively.

Committee discretion
All incentive awards are subject to the terms of the relevant plan rules under which awards are made. The Committee may adjust or amend awards in accordance with the provisions of the relevant plan rules. This includes, but is not limited to, the following discretions:
- In the event of a variation of the Company’s share capital or reserves, or a demerger, special dividend, rights issue or other event, the number of shares subject to an Award and/or any performance condition attached to Awards, may be adjusted.
- The Committee may adjust PSP performance conditions for subsisting awards as it considers appropriate to take account of any factors which are relevant in the opinion of the Committee, for example to reflect modifications of accounting standards.
- In the event of a voluntary winding-up of the Company, the Committee may allow some or all of the outstanding PSP awards to vest (and be deemed exercised) on the date the resolution for the winding-up is passed.

The Committee may make minor changes to this Policy (for example for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation or corporate governance requirements or guidance) without seeking shareholder approval for that amendment.

Legacy commitments
The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretion available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out in this report where the terms of the payment were agreed:
(i) before 17 July 2014 (the date the Company’s first shareholder approved Directors’ Remuneration Policy came into effect),
(ii) before this Policy came into effect provided that the terms of the payment were consistent with the shareholder-approved Directors’ Remuneration Policy in force at the time they were agreed or,
(iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

As well as remuneration payments and payments for loss of office under the Directors’ Remuneration Policy which was approved by shareholders on 17 July 2014, this includes commitments relating to the defined benefit pension arrangements which were made before 27 June 2012. “Payments” includes the Committee sanctioning awards of variable remuneration and an award over shares is “agreed” at the time the award is granted. Any payments made outside of the Directors’ Remuneration Policy pursuant to legacy commitments will be disclosed in full in the relevant year’s Annual Report.
Directors’ Remuneration Policy continued

Directors’ service contracts and non-Executive Directors’ letters of appointment
Current Executive Directors have service contracts terminable by the Company immediately without notice upon breach by the individual or by the Company giving to the individual 12 months’ notice or, at its discretion, payment in lieu of salary only during that notice. The payment in lieu of notice may be made in staged payments and may either reduce or cease completely where the departing Executive Director gains new employment. The Executive Director may terminate his contract by giving the Company 12 months’ notice. Contracts for new Executive Directors will be limited to 12 months’ notice by both parties (or payment in lieu of notice in respect of the Company).

The non-Executive Directors have letters of appointment, and are appointed for fixed terms of three years, subject to retirement and re-appointment at AGMs. Non-Executive Directors on termination are not entitled to any payment in lieu of notice or any compensation for loss of office.

The letters of appointment are available for shareholders to view on www.sse.com.

Loss of office policy
The Committee takes a number of factors into account when determining leaving arrangements for Executive Directors:
– The Committee must satisfy any contractual obligations provided they are consistent with the Policy or have been entered into on a date on or before 27 June 2012 in accordance with relevant legislation.
– The treatment of outstanding share awards is governed by the relevant share plan rules, as set out below.
– The Committee may determine that the Executive Director should receive reasonable outplacement support and legal advice at the expense of the Company and any payments required by statute.
– The Company may at its discretion terminate any Executive Director’s contract by providing notice or payment in lieu of notice (as set out above).

AIP
The Executive Director may, at the discretion of the Committee, remain eligible to receive an AIP award for the financial year in which they ceased employment. Any such AIP award will be determined by the Committee taking into account time in employment and performance. If an AIP award is received in such cases it will not be subject to deferral into deferred shares. Any vested career shares already awarded will normally continue to be held in a nominee account for two years after the date of cessation (see below).

Deferred and career shares
If an Executive Director’s employment terminates in circumstances such as death, injury, disability, ill-health (as agreed by the Committee) or other circumstances that the Committee deems appropriate, unvested deferred and career shares shall vest in full at the time of termination of employment.

If an Executive Director leaves the business in other circumstances their deferred shares and unvested career shares shall lapse. Vested career shares shall not lapse.

Vested awards in the form of career shares shall, except in the case of death or change of control, be released two years after the date of cessation of employment, irrespective of the reason for such cessation.

Performance share plan
If an Executive Director’s employment terminates in circumstances such as death, injury, disability, ill-health (as agreed by the Committee) or other circumstances that the Committee deems appropriate, PSP shares may continue to vest. The PSP shares will normally be reduced to reflect the time elapsed in the three-year performance period when the Director’s employment ends and will normally remain subject to performance at the end of the performance period.

The Committee may determine, in exceptional circumstances, that PSP shares may be released at the time of cessation of employment. In this circumstance, it will determine the level of vesting taking into account the extent to which the performance conditions have been met at the time (subject to modification if the Committee considers that the performance condition would be met to a greater or lesser extent at the end of the original performance period) and the period the Executive Director has been in employment.

The Committee has the discretion to disapply time pro-rating or alter the time pro-rating fraction if it considers that the Executive Director’s contribution to the business of the Company would not otherwise be properly recognised (for awards under the 2006 PSP, this discretion is limited to circumstances where the Committee determines that PSP shares shall vest for reasons other than death, disability or ill health). In this circumstance, the vesting of PSP shares would remain subject to performance until the end of the performance period.

If the Executive Director’s employment ends for any other reason, unvested PSP share awards will lapse. Vested PSP shares which are subject to a mandatory holding period will not lapse as a result of cessation of employment for any reason.

Pension
Where an Executive retires through ill-health they are entitled to an unreduced pension based on service to expected retirement. In the event of any reorganisation or redundancy, Executives who are aged 50 or more with at least five years of service will be provided with an unreduced accrued pension. If an Executive has not reached age 50 at the time of this event their pension will be paid from age 50.

From age 55 Executives are entitled to leave the Company and receive a pension, reduced for early payment, unless the Company gives consent and funds the pension being paid on an unreduced basis.

Dependent upon the circumstances surrounding the departure of the Executive Director and the financial health of the Company at the time, the Committee’s policy is to give consideration to a cash commutation of the UURB pension at the time of leaving. Any cash commutation would limit SSE’s liability, taking into account valuations provided by independent actuarial advisors, and would be undertaken on what was judged by the Committee to be on a cost neutral basis to SSE.

The following is information relating to the pension of Gregor Alexander as a participant in the HMRC-approved Scottish Hydro-Electric Pension Scheme the terms of which also apply to the UURBS arrangement:
(i) Dependents’ pensions on death are half of the member’s pension entitlements, together with a capital sum equal to four times pensionable pay. On death in retirement, the Executive Director’s spouse will receive a pension equal to half of that payable to the Director. In addition, on death within the first five years of retirement, a lump sum is payable equal to the balance outstanding of the first five years’ pension payments.
(ii) Post retirement increases are expected to be in line with RPI.

The following is information relating to the pension of Alistair Phillips-Davies, as a participant in the HMRC approved Southern Electric Group of the Electricity Supply Pension Scheme, the terms of which also apply to the UURBS arrangement.

(i) Dependants’ pensions on death are four-ninths of the member’s pensionable pay, together with a capital sum equal to four times pensionable pay. If death occurs after attaining the age of 55 an additional lump sum between three to five times notional pension is payable dependent upon age and length of service.

(ii) On death in retirement, the Director’s spouse will receive a pension equal to two-thirds of that payable to the Director. In addition, on death within the first five years of retirement, a lump sum is payable equal to the balance outstanding of the first five years’ pension payments.

(iii) Post retirement increases are expected to be in line with RPI (guaranteed up to the level of 5% per annum and discretionary above that level).

Other arrangements
If buyout awards are made on recruitment, the treatment on leaving would be determined at the time of the award.

For all-employee share plans, such as the Sharesave Scheme and the Share Incentive Plan, leavers will be treated in accordance with the HMRC approved plan rules.

Change of control
On a change of control, Executive Directors’ awards will be treated in accordance with the rules of the applicable plan(s). In summary, in the event of a change of control of the Company, performance in the PSP will be measured to that date subject to modification if the Committee considers that the performance conditions would be met to a greater or lesser extent at the end of the original performance period. Awards will normally be scaled down to reflect the period up to the change of control, but the Committee has discretion to dis-apply or alter the pro-rating fraction if it considers that participants’ contribution to the creation of shareholder value during the performance period would not otherwise be properly recognised. Any outstanding unvested deferred or career shares from the AIP will vest automatically, and any vested shares subject to a holding period will be released.

Recovery provisions
The Committee believes that it is right that it should have the ability to recover pay in circumstances where that pay is later proved to have been unfairly earned. The PSP and AIP have recovery provisions under malus and clawback.

Malus is the ability to reduce or cancel unvested deferred AIP and PSP share awards and would apply under the following circumstances at any point between the grant date and vesting date:
- Material misstatement or restatement of accounts
- Misconduct which results in a materially adverse financial effect
- Serious reputational damage including material environmental or safety issue, or material operational or business failing
- Factual error in calculating payment/vesting
- Serious misconduct

Clawback is the ability to take back value delivered through the cash element of AIP or vested AIP awards at any point: up to three years post-payment of cash under the AIP, and up to three years post-vesting of PSP shares. It applies under the following circumstances:
- Material misstatement or restatement of accounts
- Serious misconduct
- Factual error in calculating payment/vesting

Recruitment policy
The Committee will seek to align the remuneration package offered with its Directors’ Remuneration Policy outlined on page 120. The overriding objective in determining a total remuneration package for a new recruit would be to make decisions which are in the best interests of the Company, its shareholders and other stakeholders.

Base salary would be set taking into account the individual’s skills and experience and performance, salary levels at other FTSE 100 companies and other energy businesses, remuneration of different groups of employees, and the wider internal pay arrangements.

The Committee will determine appropriate pension provision for any new Executive Director. When determining pension arrangements for new appointments the Committee will limit contributions to 12% in line with employees generally.

Variable incentive levels will be in line with those set out in the policy table, with the maximum being no more than the current Chief Executive (AIP 150% of salary, PSP 200% of salary). Whilst it would generally be intended to set consistent performance measures across the executive team, depending on the timing and circumstances of a new appointment, it may be necessary to set alternative measures for the initial awards. PSP awards may be granted shortly following an appointment, subject to the Company not being in a closed period.

The Committee may make awards on appointing an Executive Director to “buy out” remuneration arrangements forfeited on leaving a previous employer. In doing so the Committee will take account of relevant factors including any performance conditions attached to these awards, the form in which they were granted (e.g. cash or shares) and the time over which they would have vested. Generally buy-out awards will be made on a comparable basis to those forfeited. To facilitate these awards, the Committee may make awards under Company incentive plans and other available structures.

The Committee may make awards under SSE’s incentive plans and under the Listing Rules exemption in LR9.4.2 which allows Companies to make grants to a Director to facilitate, in unusual circumstances, the recruitment or retention of that Director. The use of the latter shall be limited to the granting of buy-out awards or share awards within the limits described above.

Shareholders’ views
The Committee Chair and the Chair of SSE’s Board, on behalf of the Committee, consulted with SSE’s largest shareholders in developing the new Policy, as well as representatives from the Investment Association and Institutional Shareholder Services. This included a number of meetings which allowed a discussion of the proposals in the context of SSE’s business strategy and the environment in which it operates. The feedback received was extremely helpful in informing the Committee’s decisions.

More generally, the Committee Chair, on behalf of the Committee, periodically undertakes consultation with a number of institutional shareholders regarding a broad range of remuneration issues. The Committee finds such consultation meetings a valuable opportunity to receive feedback on the work of the Committee and the key issues that it is considering. The feedback received is extremely helpful in informing the Committee’s decisions.

In addition, the Committee also monitors the views of other stakeholders and broader developments in executive remuneration generally.
Directors’ Remuneration Policy continued

Remuneration engagement across the Company
The Committee appreciates the importance of an appropriate relationship between the remuneration levels of the Executive Directors, senior executives, managers and other employees within the Company although comparison metrics are not used to determine pay policy. Remuneration at all levels in SSE is designed to support its core remuneration principles, long-term business strategy and core purpose of providing the energy people need in a reliable and sustainable way. It is also designed to be consistent with and support the Company’s core values of Safety, Service, Efficiency, Sustainability, Excellence and Teamwork. The structure of reward necessarily differs based on scope and responsibility of role, level of seniority and location.

The table in the At a Glance Section (page 119) illustrates how the core elements of executive pay align with the wider workforce. In summary,

– The senior management population also participate in annual and long-term incentive arrangements. In line with Executive Directors’ arrangements, incentives for senior management have an emphasis on share awards and the performance metrics support those used at Board level.

– All employees have the opportunity to be share owners through the Share Incentive Plan and the Sharesave Plan and those participating are able to express their views in the same way as other shareholders.

– Pension planning is an important part of SSE’s reward strategy for all employees because it is consistent with the long-term goals and horizons of the business, an approach it has been practising for a number of years. The terms of the funded final salary pension schemes apply equally to all members.

– As part of its Employee Engagement Survey the Company invites all employees to provide a view on the benefits and pay that it provides.

The Remuneration Committee is responsible for setting pay for members of the Group Executive Committee (GEC) and reviewing the remuneration arrangements for all employees across the Group.

The Chair of the Remuneration Committee meets at least annually with SSE’s recognised Trade Unions to discuss the Company’s position on executive remuneration. This covers many of the policy positions explained in this report. Feedback from this meeting is shared with the Remuneration Committee.

Illustration of the Directors’ Remuneration Policy for 2019/20
The charts below indicate a forward-looking potential single figure of remuneration value for 2019/20 at below threshold, target and maximum for each of the Executive Directors. As there have been no changes to base salary or incentive levels, the scenarios below remain unchanged from the previous year.

Single total figure of remuneration – an illustration of the application of our policy
The charts on the previous page are based on the underlying assumptions described below.

**Minimum performance**
In this scenario only the fixed pay elements are payable i.e. base salary, benefits and pension calculated as:
- Base salary effective from 1 April 2019.
- Benefits represent those shown on the single figure table on page 128.
- Pension is the value of accrual in a typical year (using the same valuation methodology as in the “single figure” table on page 128).

**Target performance**
This is what the Executive Director would receive in addition to the minimum performance element, if the Committee agreed that target level performance had been achieved:
- AIP pays out 50% of maximum opportunity.
- PSP pays out 50% of maximum opportunity.

**Maximum performance**
This is what the Executive Director would receive in addition to the minimum performance element, if the Committee agreed that the maximum level performance had been achieved:
- AIP pays out 150% of base salary for the Chief Executive and 130% for the Finance and Energy Directors.
- PSP pays out 200% of base salary for the Chief Executive and 175% for the Finance and Energy Directors.

**Share Price Growth**
This assumes share price growth at 50% over a three-year period.
Annual Report on Remuneration

1. Single total figure of remuneration (audited)

The table below shows the single total figure of remuneration for each Director for financial years ending 31 March 2018 and 2019:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Alistair Phillips-Davies</td>
<td>890  £000s</td>
<td>864  £000s</td>
<td>0  £000s</td>
<td>1,013  £000s</td>
<td>390  £000s</td>
<td>1,656  £000s</td>
</tr>
<tr>
<td>Gregor Alexander</td>
<td>668  £000s</td>
<td>668  £000s</td>
<td>287  £000s</td>
<td>679  £000s</td>
<td>371  £000s</td>
<td>1,261  £000s</td>
</tr>
<tr>
<td>Martin Pibworth</td>
<td>515  £000s</td>
<td>515  £000s</td>
<td>217  £000s</td>
<td>296  £000s</td>
<td>0  £000s</td>
<td>687  £000s</td>
</tr>
<tr>
<td>Total</td>
<td>1,266  £000s</td>
<td>1,335  £000s</td>
<td>997  £000s</td>
<td>1,021  £000s</td>
<td>687  £000s</td>
<td>2,746  £000s</td>
</tr>
</tbody>
</table>

Rationale for 2019 single total figure of remuneration

As shown in specific detail in the following sections, in consideration of financial performance, the Remuneration Committee has exercised its discretion to reduce the Annual Incentive Plan (AIP) award for Executive Directors to zero. Failure to meet the threshold performance conditions for relative total shareholder return measures and Adjusted EPS has resulted in a reduced out-turn of the Performance Share Plan (PSP) however, increasing the grant value from 150% to 200% for the Chief Executive and to 175% for the Finance Director means that the values of the awards remain broadly in line with the previous year. As a result, there is a year-on-year decrease for the Chief Executive and Finance Director in the above table and the Committee is satisfied that the total single figure outcomes for all are appropriate.

Base salary

The salaries shown in the table reflect a 2018/19 salary, effective from 1 April 2018 to 31 March 2019, of £890,293 for the Chief Executive, £688,124 for the Finance Director and £515,000 for the Energy Director. This represented an increase of 3% from the previous year, which was in line with the average performance-based salary increase for the wider SSE employee population.

Benefits

Benefits are provided at an appropriate level taking into account market practice at similar sized companies and the level of benefits provided for other employees in the Company. Core benefits include car allowance, private medical insurance and health screening. The Executive Directors participate in the Company’s all-employee share schemes on the same terms as other employees.

Pension

The Chief Executive and Finance Director are members of the Southern Electric Pension Scheme and the Scottish Hydro Electric Pension Scheme respectively, and their plan membership predates their Board appointments. They participate in the same defined benefit pension arrangements that were available to all employees recruited at that time. The schemes were closed in 1999 and the service costs range from 32.5% to 37.5% of salary. These are both funded final salary pension schemes and the terms of these schemes apply equally to all members. The Executive Directors’ service contracts provide for a possible maximum pension of two thirds final salary from the age of 60.

In relation to Executive Directors who are subject to the scheme-specific salary cap (which mirrors the provisions of the previous HMRC cap arrangements) the Company provides top-up (unfunded) arrangements which are designed to provide an equivalent pension on retirement from the age of 60 to that which they would have earned had they not been subject to the salary cap. From 1 April 2017 pensionable earnings increases were capped at RPI +1%. These are legacy arrangements and would not be used for any new external appointments.

The Chief Executive and Finance Director, in common with all other employees who joined at the same time (22 and 28 years ago respectively), have the following pension provisions relating to leaving the Company:

- for retirement through ill-health an unreduced pension based on service to expected retirement is paid;
- in the event of any reorganisation or redundancy an unreduced accrued pension is paid to a member who is aged 50 or above, with at least five years’ service or, for a member who has not yet reached that age, it will be payable with effect from 50.
- and from the age of 55, a scheme member is entitled to leave the Company and receive a pension, reduced for early payment, unless the Company gives consent and funds this pension on an unreduced basis.

1 SSE offers all employees a range of voluntary benefits some of which operate under a salary sacrifice arrangement. The salaries shown above are reported before any such adjustments are made.

2 Benefits relate to company car, Share Incentive Plan company contributions and medical benefits. These benefits are non-pensionable.

3 The pension values for Alistair Phillips-Davies and Gregor Alexander represent the increase in capital value of pension accrued over one year times a multiple of 20 (net of CPI and Directors’ contributions) in line with statutory reporting requirements.

4 The AIP figures above show the value of the award after the Committee has exercised it’s discretion to reduce the award to zero.

5 The PSP figures for 2017/18 have been readjusted in line with statutory reporting requirements, following last year’s report to show the actual value upon vesting.

6 Directors have not received any other items in the nature of remuneration other than as disclosed in the table.

7 Martin Pibworth was appointed to the Board on 1 September 2017 on a salary of £500,000. The 2017/18 figures above show his remuneration pro-rata from this date, including his AIP. Long term incentive awards granted in 2015 and 2016 before he became an Executive Director are excluded and were worth £121,964 and £267,228 respectively.

8 AIP: Long term incentive awards granted in 2015 and 2016 before he became an Executive Director are excluded and were worth £121,964 and £267,228 respectively.
Dependent on the circumstances surrounding the departure of the Executive Director and financial health of the Company at the time, the Committee’s policy is to give consideration to a cash commutation of the unfunded unapproved retirement benefit (UURB) pension at the time of leaving. Any cash commutation will limit SSE’s liability, taking into account valuations provided by independent actuarial advisors, and will be calculated on what was judged to be a cost neutral basis to SSE.

The Energy Director, who has been with SSE since 1998, was already in receipt of a pension allowance of 30% of salary prior to his appointment as an Executive Director and this remains unchanged. His arrangements are consistent with the approach used for all other members who have elected to receive a cash allowance in lieu of accruing future pension benefits. Prior to the cash allowance arrangement he was a member of the Scottish Hydro Electric Pension Scheme although he stopped accruing any further pension on 1 April 2016. The Committee is conscious that this current pension allowance is greater than that offered to a new joiner elsewhere in the Group. However, it is a legacy arrangement which reflects the long service of the incumbent and is in line with all other employees in similar circumstances.

The overall remuneration package for each Executive Director was set with the current pension provision in mind. Therefore, it forms a fundamental element of the total reward offering and any changes could create an imbalance with other long-serving employees who have similar arrangements.

As set out in the proposed Directors’ Remuneration Policy, any new appointment to the Board would have arrangements which are more in line with the wider workforce, taking into account their age, length of service and particular circumstances of the individual and their existing remuneration package. For information, pension benefits in the DC scheme across SSE typically range from 3% to 18% depending on length of service.

The table below details pension accrued for each of the Executive Directors as at 31 March 2019 and 2018.

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Accrued pension as at 31 March 2019 £000s</th>
<th>Accrued pension as at 31 March 2018 £000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alistair Phillips-Davies</td>
<td>439</td>
<td>408</td>
</tr>
<tr>
<td>Gregor Alexander</td>
<td>404</td>
<td>377</td>
</tr>
<tr>
<td>Martin Pibworth</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1. Martin Pibworth receives an allowance in lieu of a pension contribution of 30% of salary.

**Annual Incentive Plan and Performance Share Plan**

In setting targets and assessing performance, the following process is used for both the AIP and PSP:

1. **Set performance measures aligned with strategy**
2. **Set stretching performance targets**
3. **Assess performance**
4. **Take account of wider environment**
5. **Apply discretion if required**

**2018/19 Annual Incentive Plan**

1. **Set performance measures aligned with strategy**

AIP requires broad performance across a number of financial metrics (Adjusted EPS, DPS Growth and Cashflow) and non-financial metrics (Personal, Customer and Teamworking) weighted as shown below:

<table>
<thead>
<tr>
<th>Financial (50%)</th>
<th>Personal (15%)</th>
<th>Customer (15%)</th>
<th>Teamwork (20%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EPS</td>
<td>Cashflow</td>
<td>DPS</td>
<td>Individual Objectives</td>
</tr>
</tbody>
</table>

2. **Set stretching performance targets**

The financial performance targets were set at the start of the financial year taking into account internal financial plans, external consensus where it exists and the expected impact of identified opportunities and threats to the business in the context of wider economic conditions. The performance target range is set on a realistic basis but requires true outperformance for Executive Directors to achieve the maximum.

The Remuneration Committee has a history of setting challenging targets, evidenced by the average AIP payout of 52% since 2010 as shown on page 136.
3. Assess performance
The table below shows how performance measures are linked to strategy and how performance was ultimately delivered.

<table>
<thead>
<tr>
<th>Performance measure</th>
<th>AIP</th>
<th>ADJUSTED EPS</th>
<th>CASHFLOW</th>
<th>DPS</th>
<th>PERSONAL</th>
<th>CUSTOMER</th>
<th>TEAMWORK</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Link to strategy</td>
<td>Simple</td>
<td>Simple</td>
<td>Simple</td>
<td>Simple</td>
<td>Simple</td>
<td>Simple</td>
<td>Simple</td>
<td>Simple</td>
</tr>
<tr>
<td>Stewardship</td>
<td>Stewardship</td>
<td>Sustainable</td>
<td>Sustainable</td>
<td>Stewardship</td>
<td>Stewardship</td>
<td>Stewardship</td>
<td>Stewardship</td>
<td>Stewardship</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Stakeholders</td>
<td>Stakeholders</td>
<td>Stakeholders</td>
<td>Stakeholders</td>
<td>Stakeholders</td>
<td>Stakeholders</td>
<td>Stakeholders</td>
<td>Stakeholders</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Underlying measure of financial performance</th>
<th>Retained cashflow/net debt</th>
<th>Return on investment through payment of dividends</th>
<th>To reflect those activities which go beyond the normal responsibilities of the role</th>
<th>Meeting customers' needs is at the core of the business</th>
<th>Reflects the culture of the business to value colleagues and enjoy working together</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighting</td>
<td>30%</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Threshold</td>
<td>112p</td>
<td>13%</td>
<td>RPI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Max</td>
<td>126p</td>
<td>14%</td>
<td>RPI+2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcome</td>
<td>67.1p</td>
<td>10.3%</td>
<td>97.5p</td>
<td>See next section</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>0</td>
<td>0</td>
<td>50%</td>
<td>50%</td>
<td>70%</td>
<td>75%</td>
</tr>
<tr>
<td>Out-turn (% of max)</td>
<td>0</td>
<td>0</td>
<td>5%</td>
<td>8%</td>
<td>11%</td>
<td>15%</td>
</tr>
</tbody>
</table>

When setting non-financial measures and targets, the Committee ensures they are specific, measurable, attainable, relevant and timely (“SMART” objectives). By their nature, some objectives require a more subjective assessment than others and this is done by the Committee following the input from the wider Board and other Board Committees as appropriate. The Committee is committed to providing as much retrospective detail of the measures as possible, setting out clearly the decision making process and the levels of attainment achieved, but mindful that any information which could be considered commercially sensitive cannot be disclosed.

The tables below and on the following page provides detail on each of the non-financial measures and the assessment of performance against each one.

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>FACTORS TO BE ASSESSED</th>
<th>SUMMARY PERFORMANCE EVIDENCE</th>
<th>ASSESSMENT</th>
<th>OUTCOME (% OF MAX)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Chief Executive</td>
<td>Safety, Financial, People Development, Succession, Stakeholder Management, Strategy and Growth</td>
<td>Significant improvement to safety performance as a result of established programme. New operating model increased focus on succession and capability. Strong stakeholder engagement in a challenging environment. New Strategy established that focuses key businesses on carbonisation and sets out opportunities for growth.</td>
<td>✓</td>
<td>50%</td>
</tr>
<tr>
<td>Finance Director</td>
<td>Safety, Financial, People Development, Transformation, Corporate Function Performance, Succession</td>
<td>Oversaw programme of value-creating disposals with over £600m gains on sale and almost £500m fair value uplift. Sustainable financing delivered with Green Bond issue and ESG-linked Revolving Credit Facility. Effective financial management maintained through discipline in relation to investments and potential mergers and acquisitions. Effective Chair of SGN plc.</td>
<td>✓</td>
<td>50%</td>
</tr>
</tbody>
</table>

x= Below expectation ✓= Met expectation ✓✓= Exceeded expectation ✓✓✓= Far exceeded expectation
**MEASURE** | **FACTORS TO BE ASSESSED** | **SUMMARY PERFORMANCE EVIDENCE** | **ASSESSMENT** | **OUTCOME (% OF MAX)**
---|---|---|---|---
Customer Retail | A range of measures including customer complaints and satisfaction | Leading the large energy suppliers for complaints in the Citizens Advice Supplier Rating and a leading performer in the wider supplier group of 28. Ranked top among the leading suppliers in the uSwitch survey. | ✓ ✓ ✓ | 85%
Networks | A range of measures including customer interruptions and customer minutes lost | Year-on-year improvements across a range of customer satisfaction measures and average ranking position maintained. | ✓ | 50%
Business Energy | A range of measures including customer complaints and satisfaction | Ranked 2 out of 15 in Citizens Advice business energy supplier analysis. | ✓ ✓ | 80%
Teamwork Safety | Total Recordable Injury Rate (TRIR) and Accident Frequency Rate (AFR) | Significant improvements in TRIR and AFR. Improvements in driving performance and environmental performance. | ✓ ✓ ✓ | 90%
Service | Various external Retail and Business Energy ranking surveys, and Networks customer performance measures | See Customer table above. | ✓ ✓ | 70%
Efficiency | Controllable costs | Effective oversight of controllable costs while maintaining robust allocation of resources. | ✓ ✓ | 65%
Sustainability | Performance in various indices | Maintained MSCI ESG Research “AAA” Leadership rating. Improved CDP Climate Change score from a “B” to an “A-.” Achieved fifth year of both Fair Tax Mark accreditation and Living Wage accreditation. | ✓ ✓ ✓ | 90%
Excellence | Progress of key capital projects, gender diversity | Very good progress in delivery of large capital projects across the Wholesale and Networks businesses. Improved Return on Inclusion scores; positive increases in gender split within senior manager group and talent programmes. | ✓ ✓ | 65%
Teamworking | Employee Engagement | Great Place To Work 78% response rate. Good progress made on Target Operating Model activity. Maintained position on the Bloomberg Gender Equality Index. | ✓ ✓ | 70%

**TOTAL** | **70%** | **75%**

4. Take account of wider environment
The Remuneration Committee believes that the range of measures used in the AIP ensures that performance is assessed using a balanced approach, without undue focus on a single metric which could be achieved at the expense of wider initiatives. The Committee took into account that SSE’s financial results fell well short of what was expected at the beginning of the financial year.

5. Apply discretion if required
Despite a number of notable operational and strategic achievements in the year, for 2018/19 the Remuneration Committee has applied its discretion and decided that no AIP award should be made to Executive Directors. This is the second time in three years the Committee has exercised its discretion to make a downward adjustment to AIP out-turns.

<table>
<thead>
<tr>
<th>Executive</th>
<th>Maximum potential (% of salary)</th>
<th>AIP earned</th>
<th>AIP cash</th>
<th>AIP deferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alistair Phillips-Davies</td>
<td>150%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Gregor Alexander</td>
<td>130%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Martin Pibworth</td>
<td>130%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1 In a typical year, the total award is made up of 67% cash and 33% which is deferred as shares for three years which are then retained until two years after stepping down from the Board.
2018/19 Performance Share Plan

1. Set performance measures aligned with strategy

PSP performance measures encourage strong share price, financial, dividend and customer performance over a three-year performance period. The measures and their weightings are shown below:

<table>
<thead>
<tr>
<th>Value Creation (40%)</th>
<th>Financial (40%)</th>
<th>Operational (20%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSR vs FTSE 100 (20%)</td>
<td>EPS (20%)</td>
<td>Customer (20%)</td>
</tr>
<tr>
<td>TSR vs MSCI Europe (20%)</td>
<td>DPS (20%)</td>
<td></td>
</tr>
</tbody>
</table>

2. Set stretching performance targets

The performance target ranges for PSP are set each year to ensure they are stretching and represent value creation for shareholders.

3. Assess performance

The vesting of shares under the PSP is subject to the performance measures and targets shown in the table below which also details the actual out-turn for the 2016 PSP award vesting this year.

<table>
<thead>
<tr>
<th>Performance measure</th>
<th>PSP TSR V FTSE 100</th>
<th>TSR V MSCI</th>
<th>EPS GROWTH</th>
<th>DPS GROWTH</th>
<th>CITIZENS’ ADVICE COMPLAINTS LEAGUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Link to strategy</td>
<td>Simple Stewardship</td>
<td>Simple</td>
<td>Simple</td>
<td>Simple</td>
<td>Simple Stewardship</td>
</tr>
<tr>
<td>Rationale</td>
<td>Relative measure</td>
<td>Relative</td>
<td>Underlying</td>
<td>Return on</td>
<td>Meeting customers needs is at core</td>
</tr>
<tr>
<td></td>
<td>of performance</td>
<td>measure of financial performance</td>
<td>investment through payment of dividends</td>
<td>of our business</td>
<td></td>
</tr>
<tr>
<td>Weighting</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Threshold</td>
<td>50th percentile</td>
<td>50th percentile</td>
<td>RPI</td>
<td>RPI</td>
<td>Rank 17</td>
</tr>
<tr>
<td>Max</td>
<td>75th percentile</td>
<td>75th percentile</td>
<td>RPI +10%</td>
<td>RPI +5%</td>
<td>Rank 1</td>
</tr>
<tr>
<td>Outcome</td>
<td>Rank 63</td>
<td>Rank 19</td>
<td>Below RPI</td>
<td>RPI +0.2%</td>
<td>Rank 5</td>
</tr>
<tr>
<td>Performance</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>52%</td>
<td>82%</td>
</tr>
<tr>
<td>Out-turn (%) of max</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10%</td>
<td>16%</td>
</tr>
</tbody>
</table>

1 The Citizen’s Advice Energy Supplier Complaints League was formerly known as the Consumer Futures Ranking. As there are now 35 companies in the league, threshold performance is at the new mid point of the league. In 2016 when the performance measures were set, there were 18 companies in the league and performance was attained at the mid-point in the league. There are now 35 companies in the league and the philosophy that threshold performance is achieved at above median and maximum performance for rank 1 is maintained.

4. Take account of wider environment

As noted previously, some financial results were below expectation and this has resulted in below threshold performance in relative TSR performance and adjusted EPS. SSE’s performance remains strong in relation to the Citizens Advice Complaints League, and dividend growth has been achieved at threshold, which is itself seen as a stretching target in the current environment.

5. Apply discretion if required

While the DPS growth out-turn was above the RPI threshold set in 2016, it was in line with the revised policy position set in 2018. The Committee felt that performance should be assessed taking account of this policy change and they approved reducing the DPS out-turn from 52% to 50%. The Committee is satisfied that the level of vesting is fair reward for the performance delivered. The table below shows the maximum number of shares available, the dividends accrued over the three-year performance period, the total number of shares vesting based on the performance out-turn and the estimated value of these shares.

<table>
<thead>
<tr>
<th>Alistair Phillips-Davies</th>
<th>Martin Pibworth</th>
</tr>
</thead>
<tbody>
<tr>
<td>200%</td>
<td>175%</td>
</tr>
<tr>
<td>104,081</td>
<td>70,390</td>
</tr>
<tr>
<td>23,793</td>
<td>16,089</td>
</tr>
<tr>
<td>33,247</td>
<td>22,485</td>
</tr>
<tr>
<td>£390,203</td>
<td>£263,895</td>
</tr>
</tbody>
</table>

1 The estimated value of the awards vesting has been calculated on the same basis as the PSP value in the single figure table on page 128.

Martin Pibworth was not an Executive Director when the 2016 PSP award was granted and therefore, is not disclosed in the table above.
Other remuneration disclosures

Fees paid to non-Executive Directors during 2018/19 were as follows:

<table>
<thead>
<tr>
<th>Non-Executive Directors</th>
<th>Fees £000s 2018/19</th>
<th>Fees £000s 2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeremy Beeton</td>
<td>26</td>
<td>80</td>
</tr>
<tr>
<td>Katie Bickerstaffe</td>
<td>7</td>
<td>85</td>
</tr>
<tr>
<td>Sue Bruce</td>
<td>86</td>
<td>68</td>
</tr>
<tr>
<td>Tony Cocker</td>
<td>68</td>
<td>0</td>
</tr>
<tr>
<td>Crawford Gillies</td>
<td>88</td>
<td>85</td>
</tr>
<tr>
<td>Richard Gillingwater CBE</td>
<td>389</td>
<td>377</td>
</tr>
<tr>
<td>Peter Lynas</td>
<td>88</td>
<td>85</td>
</tr>
<tr>
<td>Helen Mahy</td>
<td>80</td>
<td>68</td>
</tr>
<tr>
<td>Melanie Smith</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>849</strong></td>
<td><strong>848</strong></td>
</tr>
</tbody>
</table>

1. Jeremy Beeton stepped down from the Board as a non-Executive Director on 20 July 2018.
2. Katie Bickerstaffe stepped down from the Board as a non-Executive Director on 30 April 2018.
3. Sue Bruce was assumed the position as Chair of the Remuneration Committee on 30 April 2018.
4. Tony Cocker joined the Board as a non-Executive Director on 1 May 2018.
5. Helen Mahy assumed the position as Chair of the SHEAC on 19 July 2018.
6. Melanie Smith joined the Board as a non-Executive Director on 1 January 2019.
# Annual Report on Remuneration continued

## Share interests and share awards (audited)

### Directors’ share interests

The table below shows the share interests of the Executive and non-Executive Directors at 31 March 2019.

<table>
<thead>
<tr>
<th>Director</th>
<th>Shares owned outright at 31 March 2019</th>
<th>Interests in shares awarded without performance conditions at 31 March 2019 (DBS &amp; Retention Awards)</th>
<th>Interests in shares awarded subject to performance conditions at 31 March 2019 (PSP &amp; LSP)</th>
<th>Shares owned outright at 31 March 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alistair Phillips-Davies</td>
<td>197,591</td>
<td>351,847</td>
<td>2,458</td>
<td>177,768</td>
</tr>
<tr>
<td>Gregor Alexander</td>
<td>179,527</td>
<td>237,955</td>
<td>2,399</td>
<td>163,928</td>
</tr>
<tr>
<td>Martin Pibworth</td>
<td>28,164</td>
<td>108,902</td>
<td>4,916</td>
<td>20,132</td>
</tr>
<tr>
<td>Jeremy Beeton</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,534</td>
</tr>
<tr>
<td>Katie Bickerstaff</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6,433</td>
</tr>
<tr>
<td>Sue Bruce</td>
<td>2,484</td>
<td>–</td>
<td>–</td>
<td>2,484</td>
</tr>
<tr>
<td>Tony Cocker</td>
<td>5,000</td>
<td>–</td>
<td>–</td>
<td>2,000</td>
</tr>
<tr>
<td>Crawford Gillies</td>
<td>5,000</td>
<td>–</td>
<td>–</td>
<td>5,000</td>
</tr>
<tr>
<td>Richard Gillingwater</td>
<td>2,208</td>
<td>–</td>
<td>–</td>
<td>2,000</td>
</tr>
<tr>
<td>Peter Lysag</td>
<td>5,000</td>
<td>–</td>
<td>–</td>
<td>2,000</td>
</tr>
<tr>
<td>Helen Mahy</td>
<td>2,027</td>
<td>–</td>
<td>–</td>
<td>2,027</td>
</tr>
<tr>
<td>Melanie Smith</td>
<td>1,099</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

**Number of shares**

**Number of options**

- **Alistair Phillips-Davies**: 271% (requirement met)
- **Gregor Alexander**: 318% (requirement met)
- **Martin Pibworth**: 66% (below requirement)

* Shareholding requirement: Executive Directors – 200% of salary, Non-Executive Directors – minimum 2,000 shares.
<br>Price used to calculate shareholding requirement as % of salary as at 29/03/19 £11.87.

### Directors’ Long-term Incentive Plan interests

**Awards granted in the year**

The tables below detail deferred bonus and PSP awards granted to Executive Directors during 2018.

#### Deferred Bonus awards granted in 2018

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Award</th>
<th>Date of grant</th>
<th>Shares granted</th>
<th>Market value on date of award</th>
<th>Face value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alistair Phillips-Davies</td>
<td>Conditional award</td>
<td>28/06/18</td>
<td>24,841</td>
<td>£13,575</td>
<td>£337,217</td>
</tr>
<tr>
<td>Gregor Alexander</td>
<td>Conditional award</td>
<td>28/06/18</td>
<td>16,640</td>
<td>£13,575</td>
<td>£225,888</td>
</tr>
<tr>
<td>Martin Pibworth</td>
<td>Conditional award</td>
<td>28/06/18</td>
<td>10,398</td>
<td>£13,575</td>
<td>£141,153</td>
</tr>
</tbody>
</table>

The Deferred Bonus granted in 2018 is equal to 25% of the AIP earned in 2017/18. It is also subject to continued employment to the third anniversary of the date of grant. There is a further holding requirement until one year after cessation of employment.

#### PSP awards granted in 2018

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Award</th>
<th>Date of grant</th>
<th>Shares granted</th>
<th>Market value on date of award</th>
<th>Face value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alistair Phillips-Davies</td>
<td>Conditional award</td>
<td>28/06/2018</td>
<td>132,287</td>
<td>£13,575</td>
<td>£1,795,796</td>
</tr>
<tr>
<td>Gregor Alexander</td>
<td>Conditional award</td>
<td>28/06/2018</td>
<td>89,466</td>
<td>£13,575</td>
<td>£1,214,501</td>
</tr>
<tr>
<td>Martin Pibworth</td>
<td>Conditional award</td>
<td>28/06/2018</td>
<td>66,957</td>
<td>£13,575</td>
<td>£908,941</td>
</tr>
</tbody>
</table>

Alistair Phillips-Davies was granted an award equal to 200% of base salary.
Gregor Alexander and Martin Pibworth were granted awards equal to 175% of base salary.
Performance is measured over three years to 31/03/21. The performance measures and targets are as follows: relative TSR measured against the FTSE 100 (20%); relative TSR measured against the MSCI European Utilities Index (20%); EPS growth at RPI to RPI +10% (20%); EPS growth at RPI to RPI +5% (20%); Customer ranking in Citizen’s Advice Complaints league at median to rank 1 (20%).
## Directors’ Long-term Incentive Plan interests

The table below details the Executive Directors’ Long-term Incentive Plan interests.

<table>
<thead>
<tr>
<th>Share plan</th>
<th>Date of award</th>
<th>Normal exercise period (or vesting date)</th>
<th>No. of shares under award as at 1 April 2018</th>
<th>Option exercise price</th>
<th>Additional shares awarded during the year</th>
<th>No. of shares lapsed during the year</th>
<th>No. of shares realised during the year</th>
<th>No. of shares under award at 31 March 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gregor Alexander</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2006</td>
<td>25/06/2015</td>
<td>25/06/2018</td>
<td>6,130</td>
<td>6,130</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2016</td>
<td>27/07/2016</td>
<td>27/07/2019</td>
<td>5,302</td>
<td>5,302</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2016</td>
<td>26/06/2017</td>
<td>26/06/2020</td>
<td>13,442</td>
<td>13,442</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2016</td>
<td>28/06/2018</td>
<td>28/06/2021</td>
<td>16,640</td>
<td>16,640</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSP²</td>
<td>25/06/2015</td>
<td>25/06/2018</td>
<td>58,848</td>
<td>49,581</td>
<td>17,654</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSP²</td>
<td>27/07/2016</td>
<td>27/07/2019</td>
<td>70,390</td>
<td>70,390</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSP²</td>
<td>26/06/2017</td>
<td>26/06/2020</td>
<td>78,099</td>
<td>78,099</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSP²</td>
<td>28/06/2018</td>
<td>28/06/2021</td>
<td>89,466</td>
<td>89,466</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharesave</td>
<td>02/07/2014</td>
<td>01/10/2019 – 31/03/20</td>
<td>2,213</td>
<td>1,247</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharesave</td>
<td>03/07/2015</td>
<td>02/20/2019 – 31/03/21</td>
<td>186</td>
<td>1,288</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Alistair Phillips-Davies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2006</td>
<td>25/06/2015</td>
<td>25/06/2018</td>
<td>7,931</td>
<td>7,931</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2016</td>
<td>27/07/2016</td>
<td>27/07/2019</td>
<td>6,860</td>
<td>6,860</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2016</td>
<td>26/06/2017</td>
<td>26/06/2020</td>
<td>20,068</td>
<td>20,068</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2016</td>
<td>28/06/2018</td>
<td>28/06/2021</td>
<td>24,841</td>
<td>24,841</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSP²</td>
<td>25/06/2015</td>
<td>25/06/2018</td>
<td>76,138</td>
<td>64,149</td>
<td>22,841</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSP²</td>
<td>27/07/2016</td>
<td>27/07/2019</td>
<td>104,081</td>
<td>104,081</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSP²</td>
<td>26/06/2017</td>
<td>26/06/2020</td>
<td>115,479</td>
<td>115,479</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSP²</td>
<td>28/06/2018</td>
<td>28/06/2021</td>
<td>132,287</td>
<td>132,287</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharesave</td>
<td>02/07/2014</td>
<td>01/10/2019 – 31/03/20</td>
<td>1,202</td>
<td>1,247</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharesave</td>
<td>06/07/2017</td>
<td>01/10/2020 – 31/03/23</td>
<td>1,256</td>
<td>1,194</td>
<td>1,256</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Martin Pibworth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2006</td>
<td>25/06/2015</td>
<td>25/06/2018</td>
<td>4,328</td>
<td>4,328</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2006</td>
<td>27/07/2016</td>
<td>27/07/2019</td>
<td>4,383</td>
<td>4,383</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2006</td>
<td>26/06/2017</td>
<td>26/06/2020</td>
<td>5,715</td>
<td>5,715</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBP 2006</td>
<td>28/06/2018</td>
<td>28/06/2021</td>
<td>10,398</td>
<td>10,398</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSP²</td>
<td>25/06/2015</td>
<td>25/06/2018</td>
<td>26,940</td>
<td>22,697</td>
<td>8,082</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSP²</td>
<td>28/06/2018</td>
<td>28/06/2021</td>
<td>66,957</td>
<td>66,957</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LSP²</td>
<td>27/07/2016</td>
<td>27/07/2019</td>
<td>18,534</td>
<td>18,534</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LSP²</td>
<td>26/06/2017</td>
<td>26/06/2020</td>
<td>23,411</td>
<td>23,411</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retention Award</td>
<td>12/01/2017</td>
<td>12/01/2020</td>
<td>25,000</td>
<td>25,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharesave</td>
<td>02/07/2014</td>
<td>01/10/2019 – 31/03/20</td>
<td>1,202</td>
<td>1,247</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharesave</td>
<td>06/07/2017</td>
<td>01/10/2020 – 31/03/23</td>
<td>1,256</td>
<td>1,194</td>
<td>1,256</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Shares which are released under the DBP 2006 and PSP attract additional shares in respect of the notional reinvestment of dividends. In addition to the shares released under the DBP 2006 and PSP, as indicated in the table above, the following shares were realised arising from such notional reinvestment of dividends:

- Gregor Alexander received 4,840 shares, Alistair Phillips-Davies received 6,262 shares and Martin Pibworth received 2,523 shares.

1. The performance measures and targets applicable to awards under the PSP are described on page 122. The 2015 award under the PSP vested at 30%.
2. One third of annual bonus payable to Executive Directors and Senior Managers is satisfied as a conditional award of shares under the DBP 2006 and DBP 2016. Vesting of shares under the DBP 2006 is dependent on continued service over a three year period. In view of the linkage to annual bonus, no further performance condition applies to the vesting of DBP 2006 awards.
3. The initial Leadership Share Plan (LSP) award made in 2016 equates to the AIP award earned in 2015/16. The shares awarded are subject to an annual evaluation and may be modified up or down based on customer or financial performance. No modification up or down has been made in any of the three years. The vesting of the award is subject to an “underpin” condition which is the achievement of SSE’s dividend policy over the period.
4. Awards granted as Retention Share Awards prior to Martin Pibworth’s appointment as an Executive Director.
5. The market value of a share on the date on which these awards were made was 1,357.50p.
6. The market value of a share on the date on which these awards were realised was 1,357.50p.

The closing market price of shares at 29 March 2019 was 1,187p and the range for the year was 1,032.50p to 1,440.50p. Awards granted during the year were granted under the DBP 2016 and PSP. The aggregate amount of gains made by the Directors on the exercise of share options and realisation of awards during the year was £1,090,468 (2018 – £1,367,263).
2. Historical remuneration disclosures

Change in Chief Executive total remuneration

The graph below shows SSE TSR performance over time relative to FTSE 100 performance.

The table below shows the Chief Executive’s annual remuneration since 2010.

<table>
<thead>
<tr>
<th>Directors</th>
<th>Single total figure of remuneration</th>
<th>Annual variable element award</th>
<th>Long-term incentive vesting</th>
<th>Application of discretion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018/19 (Alistair Phillips-Davies)</td>
<td>1,656</td>
<td>0</td>
<td>26</td>
<td>Downward discretion applied to AIP</td>
</tr>
<tr>
<td>2017/18 (Alistair Phillips-Davies)</td>
<td>2,693</td>
<td>78</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>2016/17 (Alistair Phillips-Davies)</td>
<td>2,917</td>
<td>72</td>
<td>46</td>
<td>Downward discretion applied to AIP</td>
</tr>
<tr>
<td>2015/16 (Alistair Phillips-Davies)</td>
<td>1,696</td>
<td>54</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2014/15 (Alistair Phillips-Davies)</td>
<td>2,311</td>
<td>64</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2013/14 (Alistair Phillips-Davies and Ian Marchant)</td>
<td>2,546</td>
<td>63</td>
<td>22</td>
<td>Chief Executive waived AIP</td>
</tr>
<tr>
<td>2012/13 (Ian Marchant)</td>
<td>2,241</td>
<td>0</td>
<td>53</td>
<td>Downward discretion applied to AIP</td>
</tr>
<tr>
<td>2011/12 (Ian Marchant)</td>
<td>1,214</td>
<td>25</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2010/11 (Ian Marchant)</td>
<td>1,686</td>
<td>60</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2009/10 (Ian Marchant)</td>
<td>1,795</td>
<td>59</td>
<td>16</td>
<td></td>
</tr>
</tbody>
</table>

1 The single total figure of remuneration is calculated on the same basis as the “single total figure of remuneration” table on page 128.
2 The annual variable element award (AIP) is the figure shown on page 131, and reflected in the “single total figure of remuneration table” on page 128.
3 The long-term incentive (PSP) vesting is the figure shown on page 132, and reflected in the “single total figure of remuneration table” on page 128.
4 For 2013/14, an aggregate number has been applied by combining pro-rata values for each CEO based upon their time in role.

Alignment of Directors’ Remuneration Policy with pay across the wider employee population

For a number of years, the ratio of the CEO’s pay using an average employee earnings figure derived from staffing costs has been voluntarily disclosed. For 2018/19, a pay ratio is again being disclosed voluntarily. The calculation methodology however, has been revised to meet the reporting requirements now clarified for annual reports effective for financial years commencing 1 January 2019. The methodology chosen is a hybrid approach combining Gender Pay Gap data with additional elements of pay which are important components of SSE employees’ pay including overtime, employee’s contribution to pension and excluding salary sacrifice arrangements. The exclusion of such elements would not present the most appropriate and consistent comparison. The table below shows ratios at the 25th percentile, median and 75th percentile, and will be built on each year accompanied by narrative to explain any movements.

<table>
<thead>
<tr>
<th>Calculation Methodology</th>
<th>25th percentile</th>
<th>Median</th>
<th>75th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>£22,150</td>
<td>75:1</td>
<td>£30,346</td>
</tr>
<tr>
<td></td>
<td>¥55,294</td>
<td>40:1</td>
<td></td>
</tr>
</tbody>
</table>

Previous years’ disclosures, prior to clarity on the disclosure requirements, are shown below alongside this year’s ratio calculated on the same basis. This year’s ratio is significantly reduced in comparison to the previous year. While average earnings across SSE have increased by 5%, the Chief Executive’s earnings have reduced by 39% due to the reduction in variable pay as described on page 128.

<table>
<thead>
<tr>
<th>Chief Executive earnings</th>
<th>Average SSE earnings</th>
<th>Pay ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018/19</td>
<td>1,656,000</td>
<td>45,230</td>
</tr>
<tr>
<td>2017/18</td>
<td>2,719,000</td>
<td>43,144</td>
</tr>
<tr>
<td>2016/17</td>
<td>2,917,000</td>
<td>40,723</td>
</tr>
<tr>
<td>2015/16</td>
<td>1,696,000</td>
<td>39,990</td>
</tr>
</tbody>
</table>

1 The Chief Executive’s earnings are calculated on the same basis as the single total figure of remuneration table shown on page 128.
2 Average employee earnings are based on staffing costs inclusive of the Retail business (in line with GPG reporting) calculated on the same basis as note 8.1 of the accounts, excluding social security costs.
Relative importance of the spend on pay

The table below indicates how the earnings of Executive Directors compare with other financial dispersals. The movement in Executive Directors' earnings in 2019 is explained on page 128.

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £m</th>
<th>2017/18 £m</th>
<th>2018/19 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors' earnings</td>
<td>5.1</td>
<td>5.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Dividends to shareholders</td>
<td>906.6</td>
<td>926.1</td>
<td>973.0</td>
</tr>
<tr>
<td>Capital and investment expenditure</td>
<td>1,726.2</td>
<td>1,503.0</td>
<td>1,422.9</td>
</tr>
<tr>
<td>Total UK taxes paid (profits, property, environment and employment taxes)</td>
<td>385.0</td>
<td>484.1</td>
<td>403.7</td>
</tr>
<tr>
<td>Staff costs</td>
<td>679.4</td>
<td>665.6</td>
<td>653.5</td>
</tr>
</tbody>
</table>

1 Calculated on the same basis as the “single total figure of remuneration” table on page 128.
2 Includes corporation tax, employers’ National Insurance contributions and business rates.
3 Staff costs for all employees, as per note 8.1 of the accounts, excluding Executive Directors. The figures for 2016/17 and 2017/18 have been restated to exclude staffing costs for the Retail business in line with the financial accounts.

For every £1 spent on Executive Directors’ earnings by SSE in 2018/19, £112 was paid in tax, £182 was spent on employee costs and £395 was spent on capital and investment expenditure. In addition, £270 was made in dividend payments to shareholders for every £1 spend on Executive Directors’ earnings.

3. Governance

External appointments

Executive Directors are able to accept a non-Executive appointment outside the Company with the consent of the Board, as such appointments can enhance their experience and value to the Company. Any fees received are retained by the Director. Gregor Alexander was a non-Executive Director with Stagecoach Group plc during 2018 and received £61,000 in fees. Gregor Alexander is also Chairman of Scotia Gas Networks and receives no additional fees for this.

Payments for loss of office and payments to past Directors

There were no payments for loss of office or to former Directors during the year.

Advice to the Committee

The Chief Executive, the Director of Human Resources and Head of Reward advised the Committee on certain remuneration matters for the Executive Directors and senior executives although they were not present for any discussions on their own remuneration.

The Director of Human Resources and Head of Reward advised on HR strategy and the application of HR policies across the wider organisation.

FIT Remuneration Consultants LLP (FIT) provided a range of information to the Committee which included market data drawn from published surveys, governance developments and their application to the Company, advice on remuneration disclosures and regulations and comparator group pay. FIT received fees of £49,633 in relation to their work for the Committee, calculated on a time and materials basis. FIT are founding members of, and adhere to, the Remuneration Consultants’ Group Code of Conduct. The Code defines the roles of consultants, including the requirement to have due regard to the organisation’s strategy, financial situation, pay philosophy, the Board’s statutory duties and the views of investors and other stakeholders. The Committee reviews the advisers’ performance annually to determine that it is satisfied with the quality, relevance, objectivity and independence of advice being provided. FIT provides no other services to the Company.

Freshfields LLP also provided advice on legal matters, such as share plan rules, during the year.

Evaluation

Through the internal Board evaluation process which was carried out during the year, it was confirmed that the Remuneration Committee continued to operate effectively. Details of the wider annual evaluation process are set out on pages 97 to 99.

Risk assessment

The Remuneration Committee carries out a remuneration risk assessment on an annual basis to identify and evaluate the risks inherent in our Directors’ Remuneration Policy. Important risk mitigators identified included the broad balance of clear financial and non-financial performance measures, targets which are set in line with SSE’s business plans and an overall approach to pay design which rewards the delivery of strong, yet sustainable, performance. The close coordination with the Audit Committee was also highlighted as a strength. Specific areas of focus for the future in respect of remuneration risk include simplicity, ensuring fair pay outcomes and applying discretion to do so, and the changing governance landscape.
Shareholder voting in 2018
On 19 July 2018, shareholders approved the Directors’ Remuneration Report for the year ended 31 March 2018 and the result is shown below. Also shown below, is the result of shareholder voting on the previous Directors’ Remuneration Policy at the AGM on 21 July 2016.

Remuneration Committee
The Terms of Reference for the Committee were reviewed during 2018/19 and are available on the Company’s website (www.sse.com). In summary, the Committee determines and agrees with the Board, the Company’s framework and policy for executive remuneration including setting remuneration for all Executive Directors, the Company Chair and Company Secretary. During the year, the Committee formalised its responsibility for setting remuneration for the Group Executive Committee.

The members of the Committee and the meetings attended are set out on page 116. The following agenda items were considered:

<table>
<thead>
<tr>
<th>MEETING DATE</th>
<th>AGENDA ITEMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2018</td>
<td>AGM season overview, AIP and PSP performance discussions, below-Board remuneration, 2017/18 DRR, PSP, LSP and DBS participants, remuneration advisors annual performance review, 2018-20 Remuneration Committee plan.</td>
</tr>
<tr>
<td>March 2019</td>
<td>Annual risk assessment, shareholder feedback, market and governance update, Executive Directors’ salaries and the Chair’s fee, below-Board remuneration, review of performance measures, 2018/19 DRR, Remuneration Committee terms of reference review, 2018-20 Remuneration Committee plan.</td>
</tr>
</tbody>
</table>

4. Implementation for 2019/20
The table below sets out how the Remuneration Committee intends to operate the remuneration policy for the year ending 31 March 2020:

<table>
<thead>
<tr>
<th>ELEMENT OF PAY</th>
<th>IMPLEMENTATION FOR 2018/19</th>
<th>COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>No changes proposed</td>
<td>In line with the senior management population and below increases across the wider employee population</td>
</tr>
<tr>
<td>Benefits</td>
<td>No changes proposed</td>
<td>In line with the wider employee population</td>
</tr>
<tr>
<td>Pension</td>
<td>No changes proposed</td>
<td>In line with the wider employee population</td>
</tr>
<tr>
<td>Annual Incentive Plan (no change in quantum)</td>
<td>Changes proposed to non-financial targets. Performance measures as follows: Adjusted EPS – 30% Cashflow – 10% DPS – 10% Personal – 15% Stakeholder – 15% SSE’s Sustainability Goals – 20%</td>
<td>Financial measures and their weighting remain unchanged. The weighting of non-financial measures also remains unchanged however the measures have been updated to better link to strategy. SSE’s Sustainability Goals replaces the former Teamworking measures, and a Stakeholder measure replaces the previous Customer measure. Full details are shown on the following page.</td>
</tr>
<tr>
<td>Performance SharePlan (no change in quantum)</td>
<td>No changes proposed: TSR (v FTSE 100) – 20% TSR (v MSCI Europe) – 20% EPS – 20% DPS – 20% Customer – 20%</td>
<td>While the performance measures remain broadly unchanged, the Customer measures will be updated to reflect customer performance in Networks and Business Energy. Full details are shown on the following page.</td>
</tr>
</tbody>
</table>

AIP performance measures 2019/20
The AIP scorecard will be restructured. The financial elements and weightings of adjusted EPS, cashflow and DPS will remain unchanged. The non-financial elements will be adjusted with new stakeholder and sustainability performance measures, weighted 15% and 20% respectively. Personal objectives will remain unchanged with a weighting of 15%. This is shown on the table on the following page.
The stakeholder performance measure incorporates: customers in relation to Business Energy and Networks; employees relative to safety, engagement, and inclusion and diversity; and suppliers in respect of contractor safety.

The sustainability measure will be based on the contribution to the UN Sustainable Development Goals. The four fundamental goals for 2030 are: cut the carbon intensity of the electricity generated by 50% by 2030 from a 2018 baseline; treble renewable output by developing more renewable energy that contributes renewable output of 30TWh a year; help accommodate 10m electric vehicles in GB by investing in electricity network flexibility and infrastructure; and, championing Fair Tax and a real Living Wage. The revised performance measures are a more meaningful reflection of both SSE’s business operations and the priorities of its stakeholders (see page 24 for more information).

Performance against each goal will be measured and disclosed annually. The method for assessing that performance will be a combination of quantitative measures, with independent external assurance of that assessment where appropriate, and qualitative assessment of decisions and actions taken during the year and their impact on the achievement of the 2030 goals.

PSP performance measures 2019/20
The following table sets out in detail the PSP performance measures for 2019/20:

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>TSR v FTSE 100</th>
<th>TSR v MSCI Europe</th>
<th>EPS Growth</th>
<th>DPS Growth</th>
<th>Networks Customer</th>
<th>Business Energy Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighting</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Minimum performance</td>
<td>50th percentile (50% out-turn)</td>
<td>50th percentile (50% out-turn)</td>
<td>RPI (25% out-turn)</td>
<td>RPI (50% out-turn)</td>
<td>Median ranking (25% out-turn)</td>
<td>Median ranking (25% out-turn)</td>
</tr>
<tr>
<td>Maximum performance</td>
<td>75th percentile (100% out-turn)</td>
<td>75th percentile (100% out-turn)</td>
<td>RPI +5% (80% out-turn)</td>
<td>RPI +10% (100% out-turn)</td>
<td>1st place ranking (100% out-turn)</td>
<td>1st place ranking (100% out-turn)</td>
</tr>
</tbody>
</table>

The two new customer performance measures, worth 20% in total, replace the previous customer measure which was worth 20% and related to performance in the Citizens Advice Complaints league. The new measures link to broad measures of customer performance across Networks and Business Energy. This will include Networks Broad Measures of Customer Satisfaction and Customer Complaints, and Citizen’s Advice Business Energy supplier customer performance. All other measures and weightings remain unchanged.

Chair’s and non-Executive Directors’ fees
Last year, the Chair’s and non-Executive Directors’ fees increased by 3% in line with the wider workforce, effective from 1 April 2018. At this time, the SHEAC fee increased from £12,000 to £14,000 to reflect the increased remit for that Committee. For 2019/20, it is proposed that no increase is made to fees, in line with Executive Directors and senior managers.

For the new role of non-Executive Director for Employee Engagement, a fee of £10,000 was agreed with effect from 14 November 2018. The Board considered this fee to be commensurate with the responsibilities of the role (see page 80 for full details). Given this is a relatively new role, the fee level will be kept under review to ensure it adequately reflects the actual time commitments associated with the role.

Current fees levels are shown in the table below.

<table>
<thead>
<tr>
<th>Fee</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>388,800</td>
</tr>
<tr>
<td>Base fee</td>
<td>70,000</td>
</tr>
<tr>
<td>Senior Independent Director</td>
<td>17,500</td>
</tr>
<tr>
<td>Audit Committee Chair</td>
<td>17,500</td>
</tr>
<tr>
<td>Remuneration Committee Chair</td>
<td>17,500</td>
</tr>
<tr>
<td>SHEAC Chair</td>
<td>14,000</td>
</tr>
<tr>
<td>Non-Executive Director for Employee Engagement</td>
<td>10,000</td>
</tr>
</tbody>
</table>

Dame Sue Bruce DBE
Chair of the Remuneration Committee
21 May 2019
Other Statutory Information

The Directors submit their Annual Report and Accounts for SSE plc, together with the consolidated Financial Statements of the SSE Group of companies, for the year ended 31 March 2019.

The Strategic Report is set out on pages 1 to 71 and the Directors' Report is set out on pages 72 to 142. The Strategic Report and the Directors' Report together constitute the management report as required under Rule 4.1.8R of the Disclosure Guidance and Transparency Rules.

As permitted by the Companies Act 2006, the Directors' Report includes the disclosures in the Strategic Report on:

<table>
<thead>
<tr>
<th>Page Reference</th>
<th>Page Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 71</td>
<td>71</td>
</tr>
</tbody>
</table>

An indication of likely future development in the business of the Company

Particulars of important events affecting the Company since the financial year

Greenhouse gas emissions

Employment of disabled people

Employee involvement

A summary of the principal risks facing the Company

The Company is required to disclose certain information under Listing Rule 9.8.4R in the Directors’ Report or advise where such information is contained. This information can be found in the following sections of the 2019 Annual Report and Accounts:

<table>
<thead>
<tr>
<th>Page reference</th>
<th>Page reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>66 to 71</td>
<td>65</td>
</tr>
</tbody>
</table>

The Company's Articles of Association were changed for its Directors and Officers.

The Directors have the benefit of an indemnity provision contained in the Company's Articles of Association. In addition, the Directors have been granted a qualifying third-party indemnity provision which was in force throughout the financial year and remains in force. Also, throughout the financial year, the Company purchased and maintained Directors’ and Officers’ liability insurance in respect of itself and for its Directors and Officers.

Articles of Association changes

The Company’s Articles of Association were adopted at the 2010 AGM. Any amendments to the Articles of Association can only be made by a special resolution at a general meeting of shareholders.

Results and dividends

The Group’s results and performance highlights for the year are set out on pages 16 to 17. An interim dividend of 29.3p per Ordinary Share was paid on 15 March 2019. The Directors propose a final dividend of 68.2p per Ordinary Share. Subject to approval at the 2019 AGM, the final dividend will be paid on 20 September 2019 to shareholders on the Register of Members at close of business on 26 July 2019.

Shares

Share capital

The Company has a single share class which is divided into Ordinary Shares of 50p each. The issued share capital of the Company as at 31 March 2019, together with details of any changes during the year, is set out in note 22 to the Financial Statements. As at 21 May 2019, the issued share capital of the Company consisted of 1,042,516,928 Ordinary Shares. This figure includes 7,765,411 ordinary shares which are held in treasury (representing 0.74% of the Company’s issued share capital), with these shares voting and dividend rights automatically suspended. During the financial year, and up until 21 May 2019, the Company used 93,555 treasury shares to satisfy the requirements of the employee Sharesave scheme.

The Company was authorised at the 2018 AGM to allot shares, or grant rights over shares up to an aggregate nominal amount equal to £169,196,064.50 (representing 338,392,129 Ordinary Shares of 50p each excluding treasury shares), representing one-third of its issued share capital. A renewal of this authority will be proposed at the 2019 AGM.

The Company was authorised at the 2018 AGM to allot up to an aggregate nominal amount of £25,379,409.50 (representing 50,758,819 Ordinary Shares of 50p each and 5% of issued share capital) for cash without first offering them to existing shareholders in proportion to their holding. A renewal of this authority will be proposed at the 2019 AGM.

Substantial shareholdings

As at 21 May 2019 (being the last practical date prior to the publication of the Annual Report) the Company has been notified under Rule 5 of the Disclosure Guidance and Transparency Rules of the interests in its shares as shown in the table below.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Voting rights attached to shares*</th>
<th>Voting rights through financial instruments*</th>
<th>Total of both in %</th>
<th>Nature of holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Capital Group Companies, Inc.</td>
<td>98,966,198</td>
<td>9.97%</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>BlackRock, Inc.</td>
<td>62,533,475</td>
<td>6.09%</td>
<td>11,848,115</td>
<td>1.15%</td>
</tr>
<tr>
<td>UBS Investment Bank</td>
<td>49,558,763</td>
<td>4.93%</td>
<td>2,444,392</td>
<td>0.23%</td>
</tr>
<tr>
<td>Invesco Limited</td>
<td>45,775,918</td>
<td>4.69%</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

* At date of disclosure by relevant entity.
Authority to purchase shares
At the 2018 AGM, the Company obtained shareholder approval to purchase up to 101,517,639 of its own Ordinary Shares (representing 10% of its issued share capital) up until the earlier of the conclusion of the 2019 AGM and close of business on 30 September 2019.

As part of SSE’s £200m capital return programme, announced on 1 February 2019, and in accordance with the Company’s share buyback authority granted by shareholders at the Company’s Annual General Meeting on 19 July 2018 (being 101,517,639 shares), the EU Market Abuse Regulation and Chapter 12 of the UK Listing Rules, SSE have initiated a discretionary share repurchase programme to reduce the share capital of the company. The programme commenced on 1 April 2019 and as at 21 May 2019, the Company purchased 4,352,633 Ordinary Shares at a total cost of £49,999,995.43 at an average market price of 1,148.72 per share. All 4,352,633 of the shares purchased were cancelled and this number represents 0.42% of the issued share capital as at 21 May 2019.

The Directors will, again, seek renewal of their authority to purchase in the market the Company’s own shares at the 2019 AGM.

Transfer of Ordinary Shares
There are no restrictions on the transfer of Ordinary Shares in the capital of the Company other than certain restrictions which may from time-to-time be imposed by law.

Voting
Each Ordinary Share of the Company carries one vote at general meetings of the Company. Any Ordinary Shares held in treasury have no voting rights.

A shareholder entitled to attend, speak and vote at a general meeting may exercise their right to vote in person, by proxy, or in relation to corporate members, by corporate representatives. To be valid, notification of the appointment of a proxy must be received not less than 48 hours before the general meeting at which the person named in the proxy notice proposes to vote. The Directors may in their discretion determine that in calculating the 48-hour period, no account be taken of any part of a day which is not a working day.

Employees who participate in the Share Incentive Plan whose shares remain in the schemes’ trusts give directions to the trustees to vote on their behalf by way of a Form of Direction.

Change of control
The Company is party to a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover. At 31 March 2019, change of control provisions were included in agreements for committed credit facilities, EIB debt, US Private Placements, and Hybrid instruments. The Company is not aware of any other agreements with change of control provisions that are considered to be significant in terms of their potential impact to the business.

Accounting policies, financial instruments and risk
Details of the Group’s accounting policies, together with details of financial instruments and risk, are provided in note 24 to the Financial Statements and notes A6 to A8 of the Accompanying Information.

Research and development
SSE is involved in a range of innovative projects and programmes which are designed to progressively transform the energy system. A number of these projects and programmes are referred to in the Strategic Report in pages 1 to 71.

Political donations and expenditure
SSE operates on a politically neutral basis and does not make any donations to political parties, political organisations or independent election candidates. During the year, no political expenditure was incurred and no political donations were made by the Group.

Related party transactions
Related party transactions are set out in Note A5 of the Accompanying Information.

Annual General Meeting (AGM)
The AGM will be held on 18 July 2019 at 12.30pm at the Perth Concert Hall, Mill Street, Perth PH1 5HZ. Details of the resolutions to be proposed are set out in a separate Notice of Annual General Meeting which accompanies this report for shareholders receiving hard copy documents, and which is available at sse.com for those elected to receive documents electronically.

Additional information
Where not provided elsewhere in the Directors’ Report, the following provides the information required to be disclosed by Statutory Instrument 2008/410 Schedule 7 Part 6.

Restrictions on the transfer of securities and/or voting rights
The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Disclosure of information to the auditor
Each of the Directors who held office at the date of approval of this Directors’ Report confirms that, so far as each Director is aware, there is no relevant audit information of which the Company’s Auditors are unaware and each Director has taken all the steps that ought to have been taken in his or her duty as a Director to make himself or herself aware of any relevant audit information and to establish that the Company’s Auditors are aware of that information.

The Directors’ Report set out on pages 72 to 142 has been approved by the Board of Directors in accordance with the Companies Act 2006.

By order of the Board

Sally Fairbairn
Company Secretary
21 May 2019
Statement of Directors’ Responsibilities

Statement of Directors’ Responsibilities in Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgements and estimates that are reasonable, relevant and reliable;
– state whether they have been prepared in accordance with IFRSs as adopted by the EU;
– assess the Group and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
– use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors’ Report, Directors’ Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

– the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
– the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy.

Alistair Phillips-Davies
Chief Executive
21 May 2019

Gregor Alexander
Finance Director