

Group Operating Model Policy

Policy statement

SSE's Operating Model Policy sets out how the SSE business strategy is executed through the accountabilities of the PLC / corporate centre and Business Unit and supporting governance model.

Policy purpose

The purpose of this policy is to outline how the SSE Group is governed, performance is managed and the high-level relationship between the Corporate Centre and the Business Units. It highlights some of the key decision rights of the Corporate Centre and the accountabilities of the Business Units.

This policy is owned by the Director of Group Change and is one of a suite of group-level policies that promote a healthy business culture, guide decisions and actions as expected by the company's stakeholders, and make SSE a responsible company that people want to invest in, buy from, work for and partner with.



John Stewart
Director of Human Resources



Alistair Phillips-Davies
Chief Executive Officer



POLICY PRINCIPLES

The following principles highlight how we expect the policy statement to be achieved, and should be used to guide behaviours, decision making and action:

<p>PLC / Corporate Centre Accountability</p>	<ul style="list-style-type: none"> • The PLC is responsible for overseeing the delivery of the company's strategy, assessing the performance of SSE's Business Units (BU), maintaining effective governance, providing shared services across SSE and managing stakeholders who see SSE as a single economic unit. The corporate centre is accountable for the following: - <ul style="list-style-type: none"> ○ Defining the Group Strategy and operational targets to support the delivery of the strategic goals and objectives. ○ A Financial Framework to make sure effective controls are in place for capital allocation, budgets, financial reporting and delegated authorities to support decision making across the Group. (SSE Financial Approvals Framework). ○ Setting the code of conduct, values, attitudes and behaviours that underpin SSE culture. ○ Setting the risk appetite, risk management, systems of internal controls and assurance which the Group must be comply with. (SSE Risk Management and Internal Control Policy). ○ Facilitating the performance of BU and support functions through the approval of Business / Functional strategies, setting of high-level budgets and monitoring KPIs. ○ Defining the policies and standards all SSE employees must comply with to meet the Legal and Regulatory requirements of the environment SSE operates within. (SSE Group Policies). ○ Maintaining a group view on senior succession, talent development and capability requirements. ○ Setting overall performance targets and managing reward systems that reflect both BU and Group performance. ○ The Corporate centre will provide a selection of shared services and expert advisory areas which will support the operations of business unit through facilitating best practices and access to dedicated expertise.
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<p>BU Accountability</p>	<ul style="list-style-type: none"> • The SSE Business Units (BU) are accountable for the development and delivery of BU strategy. The Business Units will: - <ul style="list-style-type: none"> ○ Develop BU strategy (incl. regulatory price control submission), supported by high-level budgets, KPI targets, and operating model which is aligned with overall Group strategy/budget/KPI targets and capital allocation. ○ Deliver the agreed strategy and KPI targets through detailed budgeting, business development and sales, planning, construction, asset operations, customer service, BU specific IT/OT application within agreed BU strategy/KPI targets and within agreed Group policies. ○ Input BU requirements to Corporate support functions strategies and budgets. ○ Select vendors recommended by relevant Corporate support functions (e.g. HR training partners /IT software providers. ○ Allocate talent for roles MD-2 and below considering any HR recommendations based on the talent management programme. ○ Define specific Business policies, where standards and expectations are required to be different from the Group.
<p>Governance</p>	<ul style="list-style-type: none"> • SSE complies with the requirements of the UK Corporate Governance Code. It maintains a Governance framework that defines the decision-making authorities and responsibilities at the different levels within the Group and has been designed to support sustainable delivery of both the Group's and each individual business 'strategic objectives. The SSE governance model consists of a Board, Group Executive Committee, Sub Committees and Business Unit Executive Committees. • SSE's Guide to Governance and Decision Making provides everyone in SSE with a clear view of the governance structure and an understanding of how decisions are made across the Group.
<p>Corporate Engagement</p>	<ul style="list-style-type: none"> • The PLC will set the guidelines for managing relationships with external parties. The scope of these guidelines will cover (but is not limited to): political lobbying, legal and regulatory bodies, media, communities and investors. • Additionally, these guidelines will define the mandated corporate services. Examples of

	mandatory services from the PLC include: Compliance with legislative, financial and regulatory requirements of a publicly listed company (SSE Guide to Governance and Decision Making).
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ROLES AND RESPONSIBILITIES

This policy applies to all SSE employees, contingent workers and people contracted to provide services to the Company through third parties.

Where we operate internationally, we will utilise our Group Policies as a default however subject to legal or regulatory requirements of the relevant international domain we may underpin these with local policies and supporting procedures.

Business Unit MD's are responsible for the implementation and adoption (including training) and adherence to the policy within their BU.

Managers are responsible for making sure that their teams understand and comply with the policy and supporting procedures.

All employees are expected to comply with the policy and supporting procedures.

To support the oversight, implementation and evaluation of Group Policies the following roles have been defined:

Policy Owners are accountable for the identification, development and evaluation of Group Policies and the oversight and governance of supporting policy documentation

Policy SME's support the Policy Owner in the identification, development and implementation of Group Policies.

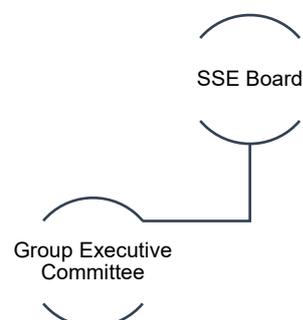


GOVERNANCE

The **SSE plc Board** and **Group Executive Committee** are responsible for the oversight for this policy including the approval of any changes to the policy. This policy is reviewed annually as part of an evaluation process.

An annual assessment will be carried out by each of the policy owners to assure the policies and establish an action plan to support policy embedding. Business Unit MD's will be required to confirm that policy actions are addressed through the annual letter of assurance process.

The **Group Executive Committee** is responsible for the implementation and operational effectiveness of the Operating Model policy and supports the Policy Owner to make sure that the policy is adhered to through awareness, training.





TRAINING

All SSE employees are expected to complete a one-day Induction course which provides an overview of how SSE operates, and the behaviours and standards expected of SSE employees.

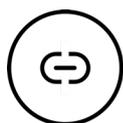


SPEAKING UP

If an employee becomes aware of anything that falls short of our expected high standards of ethical conduct and compliance, they can discuss it with their line or any other manager within the business. Alternatively, when that is not possible any concerns can be raised through the internal reporting method at Speakup@sse.com or externally through SafeCall on one of the following channels:

- Phone:
 - UK - 0800 915 1571
 - Ireland - 1800 812 740
 - All other countries +44 800 915 1571. If you are more comfortable speaking in your own language, an independent telephone interpreter will be made available.
- Email: sse@safecall.co.uk
- www.safecall.co.uk/report

Any wrongdoing brought to light through the Whistleblowing Policy will result in internal disciplinary procedures, possible dismissal and criminal prosecution of individuals involved.



SUPPORTING DOCUMENTS

SSE's Guide to Ethical Business Conduct [Doing the Right Thing](#) sets out clearly the behaviours and standards expected of all of our employees.

Additional documents available to provide further guidance and support include:

- [2020 and Beyond](#) Your guide to SSE's opportunities and strategy
- [SSE's Guide to Governance and Decision Making](#)
- PR-FIN-021 [Financial Approvals Framework](#)

More information can also be found on [SSEnet](#):

- [Governance](#)
- [Group Policies](#)

Comments and feedback on this policy and its application are welcome.

Please contact iain.macdougall@sse.com