

BOARD OF DIRECTORS



Richard Gillingwater CBE

Chairman

Richard has extensive and diverse leadership experience, having held the position of Chairman, 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. Through these roles he brings expert knowledge of governance, including a sound understanding of the role of the Board. Through a career in the City which spanned more than 20 years, involving senior roles in investment banking and corporate finance, he also has a depth of knowledge surrounding financial matters, and of the trends and factors which impact upon the external environment in which SSE operates. This experience provides valuable insight in respect of strategic development and the long-term direction of the Company. Richard is committed to engaging with the business to observe how agreed strategy is delivered and to understand employee views, the feedback from which is instrumental in Board decision-making. Richard has a law degree and an MBA.

Date of appointment

Non-Executive Director since May 2007.

Appointed Deputy Chairman in January 2015 and has been Chairman since July 2015.

Key current appointments

Chairman of Henderson Group plc.

Senior Independent Director of Helical Bar plc (stepping down on 12 July 2018).

Pro-Chancellor of Open University.

Senior Independent Director of Whitbread plc (with effect from 27 June 2018).



Alistair Phillips-Davies

Chief Executive

Alistair has been with SSE since 1997, and possesses a detailed knowledge of the operations of each business area having held a number of senior roles throughout 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 detailed understanding of the energy markets in Great Britain and Ireland, including the implications of EU membership and the increasingly global context in which they operate. Through his role, Alistair has initiated significant focus on people development and efficient operations in order to develop SSE's capabilities for future growth. Alistair is a Chartered Accountant and prior to 1997 worked for HSBC and National Westminster Bank.

Date of appointment

Executive Director since January 2002 and Chief Executive from July 2013.

Key current appointments

Vice President of Eurelectric.

Member of Scottish Energy Advisory Board.

Member of the Accenture Global Energy Board.



Crawford Gillies

Senior Independent Director

Crawford has substantial international and cross-sector business experience which has been gained through a career of over 30 years. Through roles in both the private and public sector, including the areas of management consultancy, finance, risk, and trade and industry, he brings strong commercial and governance knowledge to the Board. This experience provides the Board and SSE's businesses with the benefit of extensive external insight and a breadth of outlook. Having served on the Board and Board Committees in a number of organisations, including in the position of Chair, Crawford has the oversight and understanding required of the Senior Independent Director and supports the Board and engages with SSE's stakeholders as required.

Date of appointment

Non-Executive Director since August 2015.

Key current appointments

Senior Independent Director of Barclays plc.

Chairman of The Edrington Group Ltd.



Dame Sue Bruce DBE

Non-Executive Director

Sue's extensive career in the public sector enhances the diversity of the Board; she held a variety of roles in local government in a career which spanned almost 40 years, including the position of Chief Executive at East Dumbartonshire 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. Sue has also held a number of Board and Board Committee positions in organisations across the arts, education and charitable sectors.

Date of appointment

Non-Executive Director since September 2013.

Key current appointments

Convenor of Court of the University of Strathclyde.

Trustee of the Prince's Foundation.

Chair of the Royal Scottish National Orchestra.

Court Member of The Merchant Company of Edinburgh.

Electoral Commissioner, The Electoral Commission.

Governor of Erskine Stewart Melville School

Chair of Nominations Committee for National Trust Scotland.

Committee membership as at 31 March 2018

- Nomination Committee
- Audit Committee
- Safety, Health and Environment Advisory Committee
- Remuneration Committee
- Committee Chair



Gregor Alexander
Finance Director

Gregor is a Chartered Accountant. He joined SSE in 1990 and since this time has worked in various finance roles within the Company, including Treasury and Tax, prior to joining the Board as Finance Director in 2002. During his career Gregor has been instrumental in a number of the major transactions and investments which define the Group. His extensive and long-standing knowledge of financial markets and experience of shareholder views, has supported the development of SSE's financial strategy and purpose to create value for shareholders and society, including through debt financing with the issuance of SSE's Green Bond, and the commitment to Fair Tax and the Living Wage. The Board also benefit from Gregor's regulatory insight through his role as Chair of the Scottish and Southern Energy Power Distribution Board and of Scotia Gas Networks; and his experience of operating within an evolving energy sector, including an understanding of the risks and opportunities which this can present, is highly valued. Prior to 1990 Gregor worked for Arthur Andersen.

Date of appointment

Finance Director since October 2002.

Key current appointments

Chairman of Scotia Gas Networks Ltd.

Non-Executive Director of Stagecoach Group plc.



Martin Pibworth
Wholesale Director

Martin joined SSE in 1998 as an energy trader and undertook a series of commercial roles in the Company, 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. During this time, Martin has overseen the development of SSE's diverse and flexible generation portfolio including its growing renewable fleet. In 2017, he was appointed to the Board as Wholesale Director, where he also has responsibility for the supply of energy and related services to industrial and commercial customers and SSE's businesses in Ireland. Martin brings significant knowledge of energy markets and experience of commercial, technical and operational matters to the Board, and his innovative approach to strategy, in seeking opportunities to create future value, is also important to his role. Prior to 1998 Martin worked for Eastern Power and Energy Trading, and Total Gas Marketing.

Date of appointment

Executive Director since September 2017.

Key current appointments

N/A



Peter Lynas
Non-Executive Director

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. Peter was appointed BAE's Group Financial Director in 2011, prior to which he served as Director, Financial Control, Reporting and Treasury for a number of years. His early career involved roles within GEC Marconi, where in 1998 he was appointed Finance Director of Marconi Electronic Systems prior to the completion of the British Aerospace/Marconi merger. He also has been Chairman of the trustee Board of a major pension scheme.

Date of appointment

Non-Executive Director since July 2014.

Key current appointments

Group Finance Director of BAE Systems plc.

Member of the BAE Systems Inc Board in the US.



Helen Mahy CBE
Non-Executive Director

Helen's depth of knowledge in relation to the energy sector brings a valuable external perspective to the Board. 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. She has significant public company board experience in a number of sectors in the UK and abroad, and brings a detailed knowledge of, and interest in, the areas of inclusion and diversity. Helen qualified as a Barrister and was an Associate of the Chartered Insurance Institute.

Date of appointment

Non-Executive Director since March 2016.

Key current appointments

Chairman of The Renewables Infrastructure Group Limited.

Non-Executive Director of Bonheur ASA.

Chairman of MedicX Fund Limited.

BOARD OF DIRECTORS CONTINUED



Jeremy Beeton CB



Non-Executive Director

Jeremy is a fellow of the Institution of Civil Engineers, and with over 40 years experience of international project management, engineering and construction, brings extensive knowledge to the Board surrounding the planning and execution of large scale capital projects. This extends to considerations in respect of project governance, including safety, cost management, risk and control. He has worked with a wide range of organisations globally, including governments, and both private and public companies, and having served on various Boards has sound directorate experience.

Date of appointment

Jeremy joined the Board as a non-Executive Director in July 2011 and will step down from the role following conclusion of the AGM on 19 July 2018.

Key current appointments

Chairman of WYG plc.

Non-Executive Director of John Laing Group plc.

Non-Executive Director of OPG Power Ventures plc.

Member of Advisory Board of PwC.

Member of Court of the University of Strathclyde.



Katie Bickerstaffe



Non-Executive Director

Katie has substantive and diverse retail and brand experience gained through a variety of roles in different customer-facing retailers and fast changing markets. Her strong customer focus and understanding of customers' needs is a highly valuable attribute to the Board. Through her role as Chief Executive, UK and Ireland Dixons Carphone plc, and as an Executive Director on their Group Board, Katie has a strong understanding of commercial leadership and significant strategic experience, which combined with her knowledge of HR, marketing and business, provides the Board with relevant perspective.

Date of appointment

Katie joined the Board as a non-Executive Director in July 2011 and stepped down from the role on 30 April 2018.

Key current appointments

Chief Executive, UK and Ireland Dixons Carphone plc.



Tony Cocker

Non-Executive Director

Tony possesses extensive knowledge of the sector gained through a 20 year career with E.ON. He brings wide-ranging experience to the Board, including insight into technical and operational matters, and a comprehensive understanding of commodity markets, energy trading and risk. Latterly, as CEO and Chairman 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. 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 has an MBA from IMD, Lausanne.

Date of appointment

Non-Executive Director since 1 May 2018.

Key current appointments

Chairman of Affinity Water Ltd.

Chairman of Infinis Energy Management Ltd.

Deputy Chairman and Governor of Warwick Independent Schools Foundation.

Board meeting attendance 2017/18

Members	Position	Member since	Attended/scheduled
Richard Gillingwater	Chairman	2007	7/7
Gregor Alexander	Finance Director	2002	7/7
Jeremy Beeton ¹	Non-Executive Director	2011	6/7
Katie Bickerstaffe ²	Non-Executive Director	2011	7/7
Sue Bruce	Non-Executive Director	2013	7/7
Crawford Gillies	Senior Independent Director	2015	7/7
Peter Lynas ³	Non-Executive Director	2014	6/7
Helen Mahy	Non-Executive Director	2016	7/7
Alistair Phillips-Davies	Chief Executive	2002	7/7
Martin Pibworth ⁴	Wholesale Director	2017	4/4

1 Jeremy Beeton was unable to attend the Board meeting in March 2018 due to illness.

2 Katie Bickerstaffe stepped down from the Board on 30 April 2018.

3 Peter Lynas was unable to attend the Board meeting in November 2017 due to a prior commitment.

4 Martin Pibworth joined the Board in September 2017.

Committee membership as at 31 March 2018

- Nomination Committee
- Audit Committee
- Safety, Health and Environment Advisory Committee
- Remuneration Committee
- Committee Chair

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 2017 and 2018:

		Alistair Phillips-Davies		Gregor Alexander		Martin Pibworth ⁷	Total	
		2017/18 £000s	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s	2017/18 £000s	2016/17 £000s
Fixed Pay	Base salary ¹	864	844	668	652	292		
	Benefits ²	25	25	21	21	10		
	Pension ³	446	502	332	388	88		
Variable Pay	AIP ⁴	1,013	910	679	610	296		
	PSP ⁵	345	636	266	491	0		
Totals⁶		2,693	2,917	1,966	2,162	686	5,344	5,079

- 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.
- Benefits relate to company car, Share Incentive Plan company contributions and medical benefits. These benefits are non-pensionable.
- The pension value represents the cash value of pension accrued over one year x a multiple of 20 (less director contributions) in line with statutory reporting requirements.
- The AIP figures above show the full value of the award before 33% was deferred in shares.
- The PSP figures for 2017 have been readjusted in line with statutory reporting requirements, following last year's report to show the actual value upon vesting. The estimated value shown in the table for 2018 is based on the average share price in the three months to 31 March 2018 of 1,253.88p, as required by the reporting regulations. The award remains subject to service until May 2018 and so the prior year comparative will be restated in next year's report to show the actual value on vesting, as is required by the regulations.
- Directors have not received any other items in the nature of remuneration other than as disclosed in the table.
- Martin Pibworth was appointed to the Board on 1 September 2017 on a salary of £500,000. The figures above show his remuneration pro-rata from this date, including his AIP but excluding his PSP award granted in 2015 which vests on the same basis as the other Executive Directors and is worth £121,964.

Rationale for 2018 single total figure of remuneration

As indicated on page 127 and shown in specific detail in the following sections, failure to meet the threshold performance conditions for relative total shareholder return measures has resulted in a reduced out-turn of the Performance Share Plan (PSP). Therefore, there is a year-on-year decrease for the Chief Executive and Finance Director in the above table. In this context, the Committee is satisfied that the total single figure outcomes are appropriate.

Base salary

The salaries shown in the table reflect a 2017/18 salary, effective from 1 April 2017 to 31 March 2018, of £864,362 for the Chief Executive and £668,082 for the Finance Director. This represented an increase of 2.4% from the previous year, which was in line with the average performance-based salary increase for the wider SSE employee population.

The Wholesale Director was appointed to the Board on a salary of £500,000 on 1 September 2017, a level which the Committee felt was appropriate relative to the other Executive Directors and in line with our below market philosophy.

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. These are both funded final salary pension schemes and the terms of these schemes apply equally to all members. The 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, 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.

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 Wholesale Director, who has been with SSE since 1998, was already in receipt of a pension allowance of 30% of salary and this remains unchanged. His arrangements are consistent with the approach used for other members of the Group Executive Committee, 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.

ANNUAL REPORT ON REMUNERATION CONTINUED

4. Take account of wider environment

The performance outcomes noted on the previous page are in line with strong customer and dividend performance over the three year performance period. Relative TSR performance, reflecting in part the share price performance over the period, is below median when compared with both the FTSE 100 and the MSCI European utilities comparator group. Adjusted EPS was also below RPI. Based on the outcomes noted above, the value attributed to each Executive Director in respect of PSP is set out in the table below:

	Awards available (% of salary)	Awards available (number of shares)	Additional awards in respect of accrued dividends	Total number of shares vesting	Estimated value of awards vesting ¹
Alistair Phillips-Davies	150%	76,138	15,502	27,492	344,717
Gregor Alexander	150%	58,848	11,981	21,249	266,433

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 124.

5. Apply discretion if required

The Committee is satisfied that the level of vesting is fair reward for the performance delivered.

Other remuneration disclosures

Fees paid to non-Executive Directors during 2017/18 were as follows:

Non-Executive Directors	Fees £000s	
	2017/18	2016/17
Jeremy Beeton	80	74
Katie Bickerstaffe	85	78
Sue Bruce	68	63
Crawford Gillies	85	76
Richard Gillingwater CBE	377	369
Peter Lynas	85	79
Helen Mahy	68	63
Totals	848	802