

# Group Joint Venture Policy

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## Policy statement

SSE's policy is that all joint ventures (**JVs**) should be initiated, structured, governed and operated in a robust way that is consistent with the group's values, strategic goals and governance requirements.

## Policy purpose

This policy applies in respect of all of SSE's JVs, whether incorporated (e.g. through joint shareholdings in an SPV) or unincorporated (e.g. through a partnership agreement or strategic alliance).

This policy recognises the increasing importance of JVs in SSE's strategy and is designed to ensure the group's investments and partnerships are protected and managed to the high standards expected of SSE.

This policy is owned by the Company Secretary & Group General Counsel 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.



**Liz Tanner**

Company Secretary & Group General Counsel



**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 actions:

Establishment	<ul style="list-style-type: none"> <li>• At the outset of establishing a JV, advice and input must be sought from SSE's Legal, Finance, Insurance and Tax departments, together with, so far as is required in the context of any JV, Procurement, Sustainability, Corporate Affairs, Group Audit, Data Protection, Regulation and Company Secretariat.</li> <li>• SSE must ensure that early and careful consideration is given to the key factors and risks influencing whether a partnership is right for the group, including:             <ul style="list-style-type: none"> <li>○ Carrying out due diligence and anti-financial crime and credit checks on potential partners in accordance with internal policies and procedures (which diligence and checks should be carried out throughout the life of the partnership), including ensuring that group investment and partnership guidance is followed</li> <li>○ Ensuring SSE's business information is kept confidential</li> <li>○ Assessing potential conflicts of interest (e.g. the potential requirement for non-compete and restrictive covenants on the JV partner or SSE)</li> <li>○ Corporate structuring (including tax and accounting considerations)</li> <li>○ Financial structuring (e.g. debt v. equity and profit distribution)</li> <li>○ Requirements for regulatory consents (e.g. Competition and Markets Authority approval, EU Merger Regulations, the Listing Rules) and third-party consents (e.g. Government consent if national security and investment legislation applies)</li> <li>○ Competition law requirements (e.g. will the JV compete with another SSE project or SSE JV project in any auctions)</li> <li>○ What assets SSE and the partner will contribute (e.g. IP, employees, physical assets)</li> <li>○ If relevant, requirements of international JVs (e.g. any issues re. profit distribution or tax treatment)</li> </ul> </li> </ul>
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## Governance

- Different models will be used to govern a JV depending on SSE's role (e.g. whether SSE is the operator of the JV asset) and SSE's investment stake (e.g. majority shareholder, 50/50 partner or minority shareholder). Despite this, SSE must be consistent in ensuring its governance requirements are adhered to and that SSE's interests are protected.
- Each JV will be governed by its constitutional documents (usually the main document is a Shareholders' Agreement). In all JVs, these agreements must be robustly negotiated and adhered to, so to ensure:
  - SSE applies a consistent position (so far as possible) in respect of key JV agreement provisions that govern its relationship with the JV partner and SSE's risk exposure in the partnership (e.g. shareholder reserved/veto matters, deadlock provisions and delegated authority levels)
  - The positions being taken by SSE under the JV agreements are consistent with approved internal recommendations (e.g. are based on advice from SSE's Legal, Finance and Tax departments)
  - SSE directors are compliant with their directors' duties under the Companies Act 2006 (CA) (including the management of conflicts of interest)
  - Board and shareholder meetings are held and recorded in accordance with the JV agreements and the CA
  - SSE's interests in any third-party agreements are protected (e.g. Operations Management Agreements when SSE is operator)
  - SSE's liability is limited so far as possible
- SSE must ensure that JV agreements reflect its internal governance requirements. SSE will articulate a JV stance/minimum standard on matters such as modern slavery, living wage, bribery and financial crime controls in respect of both direct employees and the supply chain workforce.
- SSE should manage its interest in the JV in accordance with its own internal governance procedures. For example, carrying out ongoing due diligence and anti-financial crime and credit checks on the JV partner, maintaining conflicts registers, ensuring a robust approach to budget approvals and approval of delegated authority levels, applying objective scrutiny such as through Project Review Boards, and the appointment of suitably experienced and qualified directors.

	<ul style="list-style-type: none"> <li>SSE must ensure that, if any services (including Corporate Services) are to be provided to the JV, the provision and scope of those services is agreed in advance with the SSE team providing the services and that appropriate cost recovery is included in the services agreement with the JV.</li> </ul>
Divestment	<ul style="list-style-type: none"> <li>SSE will consider its exit strategy requirements and ensure that the JV agreements provide SSE with as much flexibility as possible, whilst also appropriately regulating the JV partner.</li> <li>In agreeing the terms of the JV agreement, SSE must ensure divestment optionality. It must carefully consider, and consistently apply its positions on:           <ul style="list-style-type: none"> <li>Whether interests in the JV should be transferrable, or whether the JV should be wound up if one party wants to sell</li> <li>If transfers are permitted, should pre-emption rights apply to the JV partners (and what value should be attributed to the shares being transferred)</li> <li>Should there be restrictions on what third-parties it is possible to transfer interests to (e.g. should the JV partner be prohibited from transferring to SSE's competitors)</li> <li>Does SSE require any specific carve-outs to the transfer restrictions</li> <li>Should provisions such as "drag" and "tag" clauses be included</li> <li>Should change of control provisions apply</li> </ul> </li> <li>All divestment decisions should align with the SSE strategy goals.</li> </ul>



## ROLES AND RESPONSIBILITIES

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

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

**MD's, Directors and Managers** are responsible for making sure that their teams understand and comply with the policy and supporting procedures as well as complete any relevant training.

All employees are expected to comply with the policy and supporting procedures and complete all relevant training.

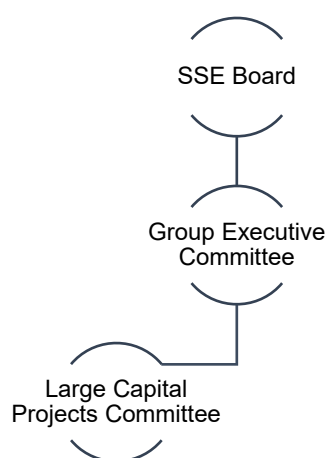
All SSE employees appointed as **Directors to the Boards of JVs** are expected to understand their legal duties and responsibilities as directors and to complete the relevant training provided. For example, directors sitting on the Boards of multiple companies must understand their duties in respect of their own potential conflicts of interest. If they have any questions, they should speak to the **Group Corporate Legal Team** or the **SSE Company Secretarial** department.



## 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.

The **Large Capital Projects Committee** seeks to ensure compliance with the LCP Manual for those JVs with large capital investment programmes. Incidents and breaches are reviewed and where appropriate opportunities for improvement are actioned.



## TRAINING

All persons asked to act as a company director on behalf of SSE will receive appropriate training, facilitated by the **SSE Company Secretarial** department. That training will cover their roles and responsibilities in acting as a company director and will be provided through an e-learning module, with a refresher course every two years. It is important that no-one agrees to act as a director without completing training that is appropriate and current.



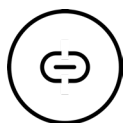
## SPEAKING UP

Acting as a company director carries legal duties and responsibilities which are binding on the individual to carry out. Failure to do so can result in prosecution and penalties which can become personally due, despite the company carrying liability insurance.

Employees can discuss anything that falls short of our expected high standards of ethical conduct and compliance, with their line or any other manager within the business. Alternatively, any concerns can be raised internally at [Speakup@sse.com](mailto:Speakup@sse.com) or externally through SafeCall using:

- 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](mailto:sse@safecall.co.uk)
- [www.safecall.co.uk/report](http://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

Additional documents available to provide further guidance and support include:

- MA-COR-LCP-001 [Large Capital Projects Governance Framework Manual](#)
- PO-COR-LEG-001 [Third-party Due Diligence Framework](#)
- GD-COR-005 [Group Sustainable Investment and Partnership Guidance](#)
- GD-COR-008 [Joint Venture Governance Framework](#)



## DEFINITIONS

**Shareholder reserved matters:** matters reserved for the shareholders of a company which require unanimous (or a specified majority) consent for approval.

**Shareholder veto matters:** a shareholder may have a veto right over something that particularly affects them.

**Deadlock provisions:** where the parties to an agreement have an irreconcilable conflict. This normally arises with 50:50 JVs where neither party has a majority. JV agreements commonly contain deadlock provisions setting out the steps to be taken by the partners to resolve such situations.

**Pre-emption rights:** also known as a right of first refusal. Should the other JV partner decide to dispose of shares, this is the right to be offered to buy the shares first (before any third party).

**“Drag” provisions:** rights for a majority of the shareholders (usually more than 75%) to accept an offer to buy their shares and to force the holders of the remaining 25% to accept such an offer.

**“Tag” provisions:** rights which enable (usually minority) shareholders to force other shareholders (who wish to sell their shares) to procure an offer for the minority shareholder’s shares from the party the other shareholders intend to sell to.

**Change of control provisions:** provisions which give a party to an agreement enhanced protection if the controlling shareholding of the other party is transferred.