

# Terms and Conditions of the SSE plc Scrip Dividend Scheme

**This document is important. If you are in any doubt as to the action you should take, you should seek your own advice from an independent professional adviser.**

## 1. What is The SSE plc Scrip Dividend Scheme?

The SSE plc Scrip Dividend Scheme (the Scrip Dividend Scheme) is a scheme designed to enable Shareholders of SSE plc to receive New Shares instead of cash dividends. This enables Shareholders to increase their shareholdings in SSE plc without incurring dealing costs or stamp duty.

Shareholder approval to offer the Scrip Dividend Scheme was first granted at the Company's Annual General Meeting (the AGM) on 22 July 2010. The renewal of the Scrip Dividend Scheme is subject to shareholder approval, which is sought for a period of three years, after which the authority requires to be renewed.

### Conditions to the Scrip Dividend Scheme

The allotment and issue of New Shares pursuant to the Scrip Dividend Scheme is, at all times, conditional upon:

- all authorities in respect thereof being in full force and effect, including the passing of any resolution of the Company required by law, regulations or the Company's Articles of Association; and
- the admission to the Official List of the United Kingdom Listing Authority and to trading on the Main Market of the London Stock Exchange of such New Shares.

If, for any reason, these conditions are not satisfied such that the Company cannot allot and issue New Shares pursuant to the Scrip Dividend Scheme in respect of any dividend, participants will receive cash (as opposed to New Shares) in respect of that dividend.

## 2. Who can join the Scrip Dividend Scheme?

All UK shareholders can join the Scrip Dividend Scheme. Overseas Shareholders may be eligible to participate – please refer to Question 14.

## 3. How do I join the Scrip Dividend Scheme?

You can join the Scrip Dividend Scheme by completing an online Scrip Dividend Mandate (which may be amended from time to time) via [www.sse-shares.com](http://www.sse-shares.com).

Scrip Dividend Mandates must be received by Capita Asset Services no later than 4.30pm on such date that is at least 20 business days before the dividend payment date for the relevant dividend to be eligible to receive New Shares instead of cash for that, and subsequent, dividends. Mandates received after that time will be applied in time for the next dividend. Please note that no acknowledgement of receipt of Scrip Dividend Mandate will be issued.

Scrip Dividend Mandates, once completed, remain in force for all future dividends until cancelled. For further details see Question 17.

Shareholders who hold their Ordinary Shares in CREST can only elect to receive dividends in the form of New Shares by use of the CREST Dividend

Election Input Message. Any Scrip Dividend Mandate or other forms of instruction received from CREST holders will not be accepted and ignored. For further details please refer to Question 4.

## 4. What if my Ordinary Shares are held in CREST?

If your shareholding is in uncertificated form in CREST (and was in uncertificated form as at the relevant record date), you can only elect to receive your dividend in the form of New Shares by means of the CREST procedure to effect such an election. No other method of election will be permitted under the Scrip Dividend Scheme and will be rejected. CREST shareholders, by effecting their elections by means of the CREST procedure, will be taken to have confirmed their election to participate in the Scrip Dividend Scheme and to have confirmed their acceptance of these terms and conditions, as amended from time to time.

If you are a CREST sponsored member, you should consult your CREST sponsor, who will be able to take appropriate action on your behalf. All elections made via the CREST system should be submitted using the Dividend Election Input Message in accordance with the procedures as stated in the CREST Reference Manual.

The Dividend Election Input Message submitted must contain the number of shares on which the election is being made. If the relevant field is left blank or completed with zero, the election will be rejected. If you enter a number of shares greater than the holding in CREST on the relevant record date, the election will be applied to your total holding as at the relevant record date for the dividend. Evergreen elections will not be permitted. If you wish to receive New Shares instead of cash in respect of future dividends for which a scrip dividend alternative is offered, you must complete a Dividend Election Input Message on each occasion otherwise you will receive your dividend in cash. Elections via CREST should be received by CREST no later than 4.30pm on such date that is at least 20 business days before the dividend payment date for the relevant dividend in respect of which you wish to make an election.

Once an election is made using the CREST Dividend Election Input Message it cannot be amended. Therefore, if a CREST shareholder wishes to change their election, the previous election would have to be cancelled.

## 5. How many New Shares will I receive under the Scrip Dividend Scheme?

Your entitlement to New Shares will be calculated by taking the amount of cash dividend to which you are entitled (plus any residual cash brought forward from a previous scrip dividend) and dividing it by the Scrip Reference Share Price. The Scrip Reference Share Price is the average of the closing middle market quotations for the Company's Ordinary Shares, as derived from the London Stock Exchange Daily Official List, for the five dealing days commencing on the relevant ex-dividend date. Details of the Scrip Reference Share Price will be announced on the

London Stock Exchange and posted on the Company's website [www.sse.com](http://www.sse.com)

The formula which will be used is as follows:

Number of Ordinary Shares held at relevant dividend record date  
**multiplied by**  
the cash dividend rate  
**added to**  
any fractional cash entitlement carried forward from last dividend  
**divided by**  
the Scrip Reference Share Price

See example below:

**Example**

Number of Ordinary Shares held	1,000
Dividend paid per Ordinary Share (£0.639)	63.9p
Scrip Reference Share Price <sup>1</sup>	£14.51

**Step 1 – calculate maximum cash available**

Cash dividend payable	
1,000 x £0.639	£639

**Step 2 – calculate number of New Shares to be issued**

Maximum cash available (Step 1) divided by the Scrip Reference Share Price:	
£639 ÷ £14.51	44.03 shares
Number of whole New Shares acquired	44 shares
Value of New Shares acquired (number of shares multiplied by the Scrip Reference Share Price): 44 x £14.51	£638.44

**Step 3 – calculate residual cash balance carries forward**

Maximum cash available (Step 1) less value of New Shares (Step 2)	£0.56
---	-------

**6. What will happen with any Scrip Dividend Scheme cash balance?**

No fraction of a New Share will be allotted and calculation of entitlement to New Shares will always be rounded down to the nearest whole share. Any residual cash balance will be carried forward to be included in the calculation of the next dividend. For shareholdings in CREST, residual cash balances of £3.00 or more will be paid to CREST shareholders in cash (by cheque) on or as soon as practicable to dividend payment date. Any residual amount of £2.99 or less will be paid to a charity of the Company's choice. No interest will be paid on any residual cash balances.

If you withdraw from the Scrip Dividend Scheme or sell or transfer your entire holding of Ordinary Shares, or if the Company terminates the Scrip Dividend Scheme, any cash balance of £3.00 or more will be paid to any such Shareholder in cash (by cheque) on or as soon as practicable after the cancellation. Where any such residual amount is £2.99 or less such sums will be paid to a charity of the Company's choice.

**7. How will I know how many New Shares I have received?**

<sup>1</sup> This Scrip Reference Share Price used in this example is the closing price as at 16 May 2017, the date of the Notice of Meeting. This price is indicative for illustrative purposes only. The Scrip Reference Share Price will be calculated according to the Terms and Conditions of the Scrip Dividend Scheme.

You will receive a statement, along with your new share certificate, showing the number of New Shares allotted, the relevant Scrip Reference Share Price and the total cash equivalent of the New Shares for tax purposes. If your cash dividend entitlement, together with any residual cash entitlement brought forward, is insufficient to acquire at least one New Share, your statement will explain that no New Shares have been issued and will show the total amount of cash to be carried forward.

CREST holders will have their member accounts credited directly with the New Shares on the dividend payment date or as soon as practicable thereafter and will separately receive a statement showing the number of New Shares allotted, the relevant Scrip Reference Share Price and the total cash equivalent of the New Shares for tax purposes.

**8. Will I have to apply again for the Scrip Dividend Scheme for the next dividend?**

No. Your completed Scrip Dividend Mandate will apply for all future dividends for which a Scrip Dividend is offered. For the avoidance of doubt, existing Scrip Mandates executed by shareholders previously will remain effective and will apply to future dividends for which a Scrip alternative is offered unless the mandate is cancelled in accordance with these terms and conditions.

Shareholders holding via CREST will, however, need to elect for each dividend by means of the Dividend Election Input Message.

**9. Are my new Scrip Dividend Shares included in the next Scrip Dividend?**

Provided you continue to hold them at the relevant dividend record date, all New Shares will automatically increase your shareholding on which the next entitlement to a Scrip Dividend alternative will be calculated. Where your cash dividend is insufficient to acquire New Shares, funds representing your fractional cash entitlement will be accumulated for your benefit. These funds will be added to the cash amount of any subsequent dividends (in respect of which a Scrip Dividend alternative is offered) and applied in calculating your entitlement under that offer. Please note that there will be no accumulation of fractional cash entitlement for shareholdings in CREST.

All accumulated fractional cash entitlements of a value of £2.99 or less will, if you cancel your mandate or dispose of your entire shareholding, be paid to a charity of the Company's choice.

**10. Will my New Share under the Scrip Dividend Scheme have the same voting rights as my existing Ordinary Shares?**

Yes. New Shares will carry the same voting rights as your existing Ordinary Shares.

**11. When will I receive my share certificate?**

Subject to the New Shares being admitted to the Official List of the United Kingdom Listing Authority, and to trading on the London Stock Exchange, your New Share certificate will be posted to you, at your own risk, on the same date as the cash dividend is paid.

**12. Does the Scrip Dividend Scheme apply to Ordinary Shares held in joint names?**

Yes. The Scrip Dividend Scheme will apply to shareholding accounts in joint names.

**13. Can I complete a Scrip Dividend Mandate for part of my holding?**

No. Scrip Dividend Mandates will only be accepted in relation to your entire shareholding. However see Question 16 for details of separate shareholding accounts.

**14. Can Overseas shareholders join the Scrip Dividend Scheme?**

Yes. If you are a resident outside the UK you may treat this as an invitation to receive New Shares unless such an invitation could not lawfully be made to you without any further obligation on the part of the Company or in compliance with any registration or other legal requirements. It is the responsibility of any person resident outside the UK wishing to elect to receive New Shares to be satisfied as to full observance of the laws of the relevant territory, including obtaining any government or other consents which may be required and observing any other formalities in such territories.

**15. What happens if I sell/buy shares after I complete a Scrip Dividend Mandate?**

If you sell some of your Ordinary Shares before a record date for a dividend, the Scrip Dividend Scheme will apply to the remainder of your Ordinary Shares.

If you buy any additional Ordinary Shares after a record date, these additional shares will not be eligible to receive the cash dividend or New Shares, but will be eligible for future dividends without a new Scrip Dividend Mandate being completed so long as they are registered in the same way as your existing shareholding. If your Ordinary Shares are not registered in the same way, you may request your shareholding accounts to be amalgamated and/or you may complete a new Scrip Dividend Mandate in respect of your new shareholding.

**16. What happens if I have more than one holding?**

Holding shares in different accounts is a means by which you may select different preferences for dividend payments. For example, if for any reason shares are registered in more than one shareholder account, then unless such multiple accounts are consolidated, they will be treated as separate. As a result separate Scrip Dividend Mandates will need to be completed (and received by Capita Asset Services as set out at Question 3) for each shareholder account in order to participate in the Scrip Dividend Scheme. For the avoidance of doubt, dividends will be paid in cash for any shareholder accounts in which a Scrip Dividend Mandate Form has not been validly received by Capita Asset Services.

**17. Can I cancel my instructions?**

Yes, you may cancel your mandate at any time. However notice of cancellation must be given in writing or online via [www.sse-shares.com](http://www.sse-shares.com) to Capita Asset Services no later than 4.30pm on such date that is at least 20 business days before the relevant dividend payment date for it to be effective for that dividend. Shareholders holding through the CREST system can only cancel their mandate via the CREST system. In such circumstances Shareholders would receive cash for that dividend and subsequent dividends. A notice of cancellation will take effect upon its receipt and process by Capita Asset Services in respect of all dividends payable after the date of receipt of such notice.

Your mandate will be deemed to be cancelled if you sell or otherwise transfer your Ordinary Shares to another person but only with effect from the registration of the relevant transfer. Your mandate will also terminate immediately on receipt of notice of your death, notice of your insolvency or your inability to maintain your financial affairs due to mental incapacity. If a joint Shareholder dies, the mandate will continue in favour of the surviving joint Shareholder(s) (unless and until cancelled by the surviving joint Shareholder(s)). Funds representing fractional cash entitlements accumulated on your behalf of £2.99 or less will, on cancellation of your mandate, be paid to a charity of the Company's choice.

**18. Can the Company change or cancel the Scrip Dividend Scheme?**

Yes. The Scrip Dividend Scheme may be modified, suspended, terminated or cancelled at any time at the discretion of the Directors without notice to Shareholders individually. In the case of any modification, existing mandates (unless otherwise specified by the Directors) will be deemed to remain valid under the modified arrangements unless and until Capita Asset Services receive a cancellation in writing from you. The operation of the Scrip Dividend Scheme is always subject to the Directors' decision to make an offer of New Shares in respect of any particular dividend. The Directors also have the power, after such an offer is made, to revoke the offer generally at any time prior to the allotment of the New Shares under the Scrip Dividend Scheme. This may, in particular, be exercised if 20 business days prior to the dividend payment date, the price of an Ordinary Share of the Company has fallen 15% or more below the Scrip Reference Share Price used to calculate Shareholders' entitlements. If the Directors revoke an offer, Shareholders will receive their dividends in cash on or as soon as possible after the dividend payment date. An announcement of any cancellation or modification to the terms and conditions of participation in the Scrip Dividend Scheme will be made on our website at [www.sse.com](http://www.sse.com)

**19. Governing Law**

The Scrip Dividend Scheme is subject to the Company's Articles of Association and is governed by and its terms are to be construed in accordance with Scots law. By electing to receive New Shares the Shareholder agrees to submit to the exclusive jurisdiction of the Scottish courts in relation to the Scrip Dividend Scheme.

**20. What do I do if I have any questions?**

If you have any questions about the procedure for election or on how to complete the Scrip Dividend Mandate Form, please contact Capita Asset Services between 9.00am and 5.30pm (London time) Monday to Friday (except UK public holidays) on 0345 143 4005 (calls cost 10p per minute plus network extras) from within the UK. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Scrip Dividend Scheme nor give any personal financial, legal or tax advice

**21. Taxation**

The tax consequences of electing to receive New Shares in place of a cash dividend will depend on your individual circumstances. If you are not sure

how you will be affected from a tax perspective, you should consult your solicitor, accountant or other professional adviser before taking any action. UK resident trustees, corporate, pension funds and other Shareholders, including overseas Shareholders, are advised to contact their professional advisors regarding their own tax circumstances in relation to the Scrip Dividend Scheme. Summary information on the Company's understanding of the consequences of electing to receive New Shares, as this process applies under United Kingdom legislation and Her Majesty's Revenue and Customs is outlined, in broad terms, under Taxation separately. This summary is not exhaustive.

**If you wish to receive dividends in cash in the usual way you need take no further action and should not complete or return a Scrip Dividend Mandate.**

## Definitions

**Articles of Association** means the Articles of Association of the Company as amended from time to time.

**Capita Asset Services** means the Company's Registrar, and is a trading name of Capita Registrars Limited.

**CREST** means the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI/3755)) in respect of which Euroclear UK & Ireland Limited is the operator.

**Directors** means the Directors of SSE plc.

**London Stock Exchange** means the London Stock Exchange plc.

**New Shares** means new fully paid Ordinary Shares issued under the Scrip Dividend Scheme.

**Ordinary Shares** means Ordinary Shares of 50 pence each in the capital of the Company.

**SSE plc or Company** means SSE plc.

**The SSE plc Scrip Dividend Scheme or the Scrip Dividend Scheme** means The SSE plc Scrip Dividend Scheme as comprised under and subject to the terms and conditions contained in this document as amended from time to time.

**Scrip Dividend Mandate or mandate** means a mandate in a form provided by the Company from a Shareholder to the Directors to allot New Shares under the terms of the Scrip Dividend Scheme in lieu of a cash dividend to which they may become entitled from time to time.

**Scrip Reference Share Price** means the price of New Shares, calculated by reference to the average of the closing middle market quotations for the Company's Ordinary Shares, as derived from the London Stock Exchange Daily Official List, for the five dealing days commencing on the relevant ex-dividend date.

**Shareholder** means a holder of Ordinary Shares in the Company.

**UKLA** means the United Kingdom Listing Authority.

**UK or United Kingdom** means the United Kingdom

of Great Britain and Northern Ireland and its dependent territories.

## Taxation

The tax consequences of electing to receive New Shares in place of a cash dividend will depend on Shareholders' individual circumstances. If Shareholders are not sure how they will be affected from a tax perspective, they should consult their solicitor, accountant or other professional adviser before taking any action.

### United Kingdom taxation

The following information is provided as a general guide to current UK tax law and to the current practice of Her Majesty's Revenue and Customs, both of which are subject to change at any time, possibly with retrospective effect. It is not advice. Except where specifically stated, the information is intended to apply only to Shareholders who are resident (or in the case of an individual, domiciled and resident or ordinarily resident) in the UK for UK tax purposes, who hold Ordinary Shares as investments and who are the absolute beneficial owners of Ordinary Shares. The information may not apply to certain classes of Shareholders, such as dealers in securities, broker-dealers, insurance companies, collective investment schemes, and persons who have acquired (or are deemed for tax purposes to have acquired) their shares by reason of office or employment.

Shareholders who are in any doubt as to their tax position or who are resident or domiciled in or subject to tax in a jurisdiction other than the UK should consider their tax position and consult their own professional advisers as appropriate before participating in the Scrip Dividend Scheme.

### Income tax

Generally, individuals receive a tax free dividend allowance of £5,000 per year. No liability to income tax arises in respect of New Shares received under the Scrip Dividend Scheme, where the individual's total dividend income for the year, including the amount that is deemed to have been received under the Scrip Dividend Scheme, is less than £5,000. Individuals in receipt of dividends in excess of £5,000 will be taxable on the amount that exceeds the tax free dividend allowance. Dividends received no longer carry a notional tax credit.

Individuals who are subject to income tax at the basic rate will be liable to pay income tax at the rate of 7.5% on the dividend income they are treated as having received.

Individuals who are subject to income tax at the rate of 40% will be liable to pay income tax at the rate of 32.5% on the dividend income they are treated as having received.

Individuals who are subject to income tax at the rate of 45% will be liable to pay income tax at the rate of 38.1% on the dividend income they are treated as having received..

### Capital gains tax

A Shareholder who is an individual resident (for tax purposes) in the United Kingdom and who elects to receive New Shares instead of a cash dividend will be treated as having acquired those New Shares for an amount equal to the cash equivalent, cash equivalent defined as the amount of the cash

dividend which the Shareholder would have received, had they not elected to take New Shares, unless the market value of the New Shares on the first day of dealings on the London Stock Exchange differs substantially from the cash dividend foregone (ie differs by 15% or more of such market value), in which case the market value will be treated as the cash equivalent of the New Shares for taxation purposes.

**Corporation tax**

To the extent that a company which is resident (for tax purposes) in the United Kingdom elects to receive New Shares instead of a cash dividend, the issue of the New Shares should not give rise to a charge to corporation tax. No acquisition cost should be obtained for the New Shares and, consequently, the calculation of any chargeable gain or allowable loss on a future disposal of, or of part of, that company's enlarged holding should fall to be made by reference to the base cost of the original holding.

**Stamp duty**

No stamp duty or stamp duty reserve tax will be payable on receipt of New Shares under the Scrip Dividend Scheme.