

Green Bond reporting criteria

Scope

This covers investments in Eligible Green Projects as detailed by the [Green Bond Framework \(dated August 2017\)](#) refinanced by the issuance of SSE plc's (SSE) inaugural Green Bond.

Issuer [ISN number XXX]	SSE plc
Currency	EURO
ISIN	XS1676952481
Size	€600,000,000
GBP:EUR 6 th Sept 2017	1.09404
Sterling Equivalent	£548,426,017.30
Pricing Date	30 August 2017
Settlement Date	6 September 2017
Maturity Date	6 September 2025
Coupon	0.875%

Green Bond Framework

Under SSE's Green Bond Framework, SSE committed to the following reporting:-

Allocation Reporting

Allocation reporting will be available to investors within one year from the date of the Green Bond issuance as specified in the Green Bond Framework. There will be one report after issuance, as the proceeds will be used for the refinancing of projects, thus the whole amount raised will be employed at settlement. Where SSE refinances its equity share within a joint venture it will be reported on an equity stake basis. Should there be any variance in the initial allocation reporting, such as divestments, SSE will duly update the allocation report within one year, in its annual Sustainability Report on SSE's website to be published in June 2018.

Independent auditors or any other third-party appointed by SSE will verify the internal tracking method and the allocation of funds from the Green Bond proceeds to the Eligible Green Projects.

Impact Reporting

SSE will provide investors with information on its investor website and within its annual Sustainability Report on SSE's website regarding the environmental impact of the category of projects on an annual basis until the maturity of the Green Bond. This reporting will include relevant environment metrics related to the eligible Green Bond projects, for example the expected annual carbon saved, expected renewable electricity capacity and output.

For the environmental impact metrics of renewable electricity capacity and output, and carbon saved, reporting will be on the basis of SSE's equity stake, which is 100% for all the onshore wind farms listed in Table 1, apart from Clyde Extension, for

which SSE's equity stake is currently 65%. Environmental impact reporting is on the basis of the proportion of the total capital expenditure for the onshore wind farms refinanced by the proceeds from the €600m Green Bond, which has been calculated at 49.9%.

Methodology

Statement of Proceeds

Table 1 (below) confirms the proceeds of the Green Bond issued on 6 September 2017. The proceeds were fully employed at settlement. This is confirmed by taking the total capital expenditure on the eligible green projects and comparing this with the proceeds of the Green Bond as stated at 31 August 2017. The total values are sourced from SSE's project accounting system, TM1.

Table 1: List of eligible green projects refinanced by proceeds from the Green Bond at 31 August 2017 (details of qualifying criteria are outlined in the Green Bond Framework)

Eligible Green Project (Onshore Wind Farms)	Life Capex spend to Aug 2017 (£m)	Total Forecast Capex Spend (£m)	Capacity fully operational 31 Aug 2017 (MW)	Capacity in construction 31 Aug 2017 (MW)	Date Fully Operational	Allocation of Green Bond Proceeds (£m)
Strathy North	102.9	102.9	67		Nov 15	102.9
Tievenameenta	41.5	41.2	34		Feb 17	41.5
Slieve Divena 2	26.5	27.4	19		Jun 17	26.5
Comhlach Gaoithe Teoranta (Galway Wind Park)	81.9	86.5	66		Jun 17	81.9
Dunmaglass	174.4	187.1	94		Aug 17	174.4
Clyde Extension	130.2	201.0		112	Sep 17	100.1
Bhlaraidh	103.5	124.9		110	Oct 17	21.1
Leanamore	14.6	30.8		18	Feb 18	-
Stronelairg	101.6	296.6		228	Expected 2019	-
Total	777.1	1,098.4	280	468		548.4

Strathy North is listed as a SSE wind farm on page 28 of the 15/16 [Interim Statement](#) the other wind farms are all listed on page 25 of SSE's 17/18 [Interim Statement](#).

All onshore wind farms listed above are 100% owned by SSE, apart from the Clyde Extension, for which SSE currently holds a 65% equity stake, this was announced in the [RNS Number 6396M](#) on 1 August 2017.

Comhlacht Gaoithe Teoranta is part of the Galway Wind Park and 100% owned by SSE, further details can be found in the [SSE Press Release dated 16th June 2017](#).

Capacity reporting (MW – megawatts)

For the purposes of this project the capacity is taken from the total installed capacity. This is calculated using the sum of the number of operational turbines installed within each wind farm multiplied by their given turbine rating. The capacity for operational Onshore Wind Farms and those still under construction listed as eligible green projects in the Green Bond Framework is taken from the SSE's published Interim Statements referenced under Statement of Proceeds section.

Output reporting (GWh – gigawatt hours)

Output (or volume) is taken from the 1 September 2017 to 31 March 2018. The output volumes include projects that are operational. For projects that move from construction to operation during the reporting period, output data is taken from the date of commissioning.

The output refers to the generation from the wind turbines at the Notional Balancing Point. This is where demand is managed and is comparable across the industry for trading and monitoring.

For the Clyde Extension the output is estimated based on the Renewable Obligation Certificate banding to determine the split of the total output relevant to the Clyde Extension from the windfarm which was an extension of an already existing windfarm (Clyde).

Output data is based on meter points at the Notional Balancing Point. This data is collected by Elexon, stored on SONET (an external database that stores electricity settlement data) and managed through an internal finance management system by business finance at SSE.

Environmental impact reporting (tCO₂e – tonnes of carbon dioxide equivalent)

The carbon emissions associated with the production of electricity at a wind farm are assumed to be zero.

The GHG standard project protocol states that for wind power projects the primary effect of these projects is to reduce the combustion emissions from generating grid-connected electricity. For these projects the baseline (or counterfactual) is estimated from the GHG emission rates of existing sources of production that will be displaced or reduced.

SSE's methodology calculates the carbon emissions saved as a result of the renewable energy project by comparing its likely emissions to those of a marginal grid electricity mix, using the UK government's Greenhouse Gas (GHG) reporting guidance and conversion factors. To do this the output from the 1 September 2017 to 31 March 2018 is taken for each windfarm and multiplied by the marginal grid conversion factors (as stated by UK government GHG conversion factors, August 2017).

Adjustments

Where there are adjustments to previously reported data, this will be stated in the year end reporting by 31 March. There are no adjustments required to the data reported in the current year as this is the first year of reporting.

References

- SSE Green Bond Framework – <http://sse.com/media/478802/SSE-Green-Bond-Framework-2017.pdf>
- GHG Standard Project Protocol - http://www.ghgprotocol.org/sites/default/files/ghgp/standards/ghg_project_accounting.pdf).
- UK government GHG reporting guidance and conversion factors - <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>