

SSE'S GREEN BOND REPORTING

SSE issued its second green bond of €650m in September 2018. This, in addition to SSE's inaugural €600m Green Bond issued in September 2017, means SSE is now the largest issuer of Green Bonds in the UK corporate sector.

This report constitutes SSE's second annual Green Bond update to investors and covers the allocation of proceeds and environmental impact from SSE's inaugural Green Bond and SSE's second Green Bond in accordance with its Green Bond Framework published on sse.com/investors/green-bond.

ALLOCATION OF PROCEEDS

The proceeds from both SSE's Green Bonds were directly allocated to the refinancing of eligible green projects listed in the Green Bond Framework, and therefore fully employed at settlement.

Table 1 includes the details of SSE's two Green Bonds, including the total value allocated to eligible green projects in Sterling. The proceeds of these Green Bonds have been allocated to refinancing of part of SSE's £1.1bn portfolio of eligible projects of onshore wind

SSE's Tax and Treasury Committee, led by SSE's Finance Director, evaluated and selected eligible green projects for inclusion in its Green Bond Framework. These eligible projects were completed in the 24 months up to 31 August 2017 or were due to be completed in the near future. The main criteria for a project to be eligible within the Green Bond Framework was that it must make a positive environmental impact, support SSE's commitment to the ongoing reduction of the carbon intensity of its electricity generation and finally, support the United Nations Sustainable Development Goal 13 (to take urgent action to combat climate change and its impacts).

farms in the UK and Ireland and the Caithness-Moray HVDC (High Voltage Direct Current) connection, as listed in SSE's Green Bond Framework and shown in Table 2, which has been independently verified by PwC. The assurance statement and the criteria used for reporting can be found at sse.com/sustainability.

It is SSE's intention, where possible, to maintain a ratio of 1.2 to 1 of eligible green project to total Green Bonds outstanding.

Table 1: SSE plc's Green Bonds

	Green Bond 2017	Green Bond 2018
Issuer	SSE plc	SSE plc
Currency	EURO	EURO
ISIN	XS1676952481	XS1875284702
Size	€600,000,000	€650,000,000
GBP:EUR at issuance	1.09404	1.0990
Sterling Equivalent	£548,426,017.30	£591,446,676.80
Pricing Date	30 August 2017	28 August 2018
Settlement Date	6 September 2017	4 September 2018
Maturity Date	6 September 2025	4 September 2027
Coupon	0.875%	1.375%

ENVIRONMENT IMPACT OF SSE'S GREEN BONDS

To report the environment impact of the green bonds, SSE calculates:

power from the north of Scotland across the UK.

Onshore wind farm green projects: The carbon emissions are assumed to be zero and the environment impact is the reduction of carbon emissions from generating wind power rather than generating grid-connected electricity. The criteria for green bond reporting is described at sse.com/sustainability.

For the Caithness-Moray transmission link, the green impact refers to the 1,200MW of capacity that transmits power from the north of Scotland across the UK. The project has already facilitated the connection of 985MW of renewable generation to connect to the national grid. This includes the recently connected turbines from Beatrice offshore wind farm (588MW capacity) and Dorenell onshore wind farm (177MW capacity on completion).

Transmission networks, Caithness-Moray: Caithness-Moray is a HVDC technology used to transmit power through 113km of subsea cable beneath the Moray Firth seabed between the new converter stations at Spittal in Caithness and Blackhillock in Moray. The transmission link provides up to 1,200MW¹ of capacity to transmit

The project supports the additional connection of onshore renewable generation on the mainland as well as the Scottish Islands of the Western Isles, Orkney and Shetland.

¹ For this transmission link, the actual electricity transmitted is controlled by National Grid Electricity System Operator.

Table 2: Allocation of Green Bond proceeds to refinancing eligible green projects

Type of Eligible green project	Eligible green project	Total actual capex spend (£m) (1)	Total project capacity (MW)	Qualifying Capacity (MW) (1)	Date fully operational	Allocation of 2017 Green Bond proceeds (£m)	Allocation of 2018 Green Bond proceeds (£m)
Onshore wind farm	Strathy North	102.9	67	67	Nov 15	102.9	NIL
Onshore wind farm	Tievenameenta	42.9	34	34	Feb 17	41.5	NIL
Onshore wind farm	Slieve Divena 2	26.5	19	19	Jun 17	26.5	NIL
Onshore wind farm	Comhlach Gaoithe Teoranta (Galway Wind Park)	85.6	66	66	Jun 17	81.9	NIL
Onshore wind farm	Dunmaglass	88.9	94	47	Aug 17	88.9	NIL
Onshore wind farm	Clyde Extension (part of Clyde Windfarm (Scotland))	100.3	173	87	Sep 17	100.3	NIL
Onshore wind farm	Bhlaraidh	117.1	110	110	Oct 17	106.6	NIL
Onshore wind farm	Leanamore	30.8	18	18	Feb 18	NIL	30.8
Onshore wind farm	Stronelairg	147.6	228	114	Dec 18	NIL	147.6
Total	Onshore wind farm project	742.6	809	562		548.6	178.4
HDVC Transmission connection (2)	Caithness Moray transmission link	1,020.0	1,200	1,200	Jan 19	NIL	413.0
Total	Onshore wind farms and Caithness Moray transmission link	1,762.6	2,009	1,762		NIL	591.4

(1) Reported Actual Capex and Qualifying Capacity reflect SSE's 50.1% ownership in Clyde Windfarm (Scotland), Dunmaglass and Stronelairg wind farms as at 31 March 2019.
(2) For this transmission link, the actual electricity transmitted is controlled by National Grid Electricity System Operator.

Table 3 details the environmental impact from the green projects which the Green Bond proceeds were allocated to. It is estimated that SSE's inaugural Green Bond proceeds were allocated to projects which saved over 324,000 tCO₂e (Between 1 April 2018 to 31 March 2019) and its second Green Bond 132,000 tCO₂e (1 September 2018 to 31 March 2019)

Table 3: Allocation of green project impact for the two Green Bonds

Eligible green project	Green Bond 2017 (3)				Green Bond 2018 (4)			
	Overall output (GWh)	Qualifying output (GWh)	Overall carbon saved (tCO ₂ e)	Qualifying carbon saved (tCO ₂ e)	Overall output (GWh)	Qualifying output (GWh)	Overall carbon saved (tCO ₂ e)	Qualifying carbon saved (tCO ₂ e)
Strathy North	116.1	116.1	32,864	32,864				
Tievenameenta	92.1	92.1	26,071	26,071				
Slieve Divena	49.9	49.9	14,125	14,125				
Comhlach Gaoithe Teoranta (Galway Wind Park)	205.5	205.5	58,171	58,171				
Dunmaglass (1)	257.7	257.7	72,947	72,947				
Clyde Extension (part of Clyde Windfarm (Scotland)) (2)	442.2	228.3	125,174	64,625				
Bhlaraidh	193.6	193.6	54,802	54,802				
Leanamore	50.8	38.0	-	-	50.8	38	14,380	10,757
Stronelairg (1)	476.5	430.5	-	-	476.5	430.5	134,883	121,862
Total	1,884.4	1,611.7	384,154	323,605	527.3	468.5	149,263	132,619
Caithness Moray transmission link (5)	-	-	-	-				

(1) Reported output and carbon saved reflects SSE's 100% ownership in Dunmaglass and Stronelairg wind farms to 31 March 2019 when a 49.9% equity stake sale completed.
(2) Reported output and carbon saved reflects SSE's 65% ownership in Clyde Windfarm (Scotland) Limited for April and May 2018 and 50.1% from June 2018 to March 2019.
(3) Green Bond 1 output (GWh) and carbon saved (tCO₂e) for reporting period 1 April 2018 to 31 March 2019.
(4) Green Bond 2 output (GWh) and carbon saved (tCO₂e) for reporting period 1 September 2018 to 31 March 2019.
(5) See page 74 for explanation of the green impact for the Caithness-Moray transmission link.