

# RENEWING



## 2018 SSE PLC PERFORMANCE SUMMARY

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This Performance Summary is sent to you in place of the full SSE plc Annual Report and Notice of Annual General Meeting 2018, which are both available at [sse.com](http://sse.com). For information on how to vote on the resolutions being proposed at the AGM on 19 July 2018, shareholders should refer to the instructions on page 8.

The Annual Report 2018 comprises SSE's Strategic Report, Directors' Report and Financial Statements. In addition to recording SSE's financial and operational performance in 2017/18, the Annual Report gives the context behind the proposed demerger of SSE's household energy and services business in Great Britain (SSE Energy Services) and immediate combination of that business with npower, and describes SSE's longer-term strategic focus.

### IMPORTANT NOTICE

On 8 November 2017, the Board of Directors of SSE plc announced it had entered into an agreement with innogy SE in respect of a proposed demerger of SSE's household energy and services business in Great Britain (now named SSE Energy Services) and immediate combination of that business with innogy SE's subsidiary npower to form a new independent UK-based group – to be held by SSE shareholders (following the demerger) and (following the combination) with minority shareholding participation by innogy SE (approximately 65.6% and 34.4% respectively). Resolutions relating to the planned SSE Energy Services transaction will be proposed at a General Meeting at 2pm on 19 July 2018 at the Perth Concert Hall. A Shareholder Circular in relation to this is being issued on 27 June 2018 and details will also be available at [sse.com](http://sse.com).

## CHAIRMAN'S STATEMENT

# CREATING VALUE IN A SUSTAINABLE WAY

SSE is a public listed company that works in the public interest with a commitment to being transparent in the way it does business, responsible in the way it works with stakeholders and sustainable in the way it makes decisions. It has a proud past and the SSE we see today is the product of longstanding values and prevailing principles that will continue to inform its responses to the challenges and opportunities presented by the energy market of tomorrow.

Faced with the opportunities that are emerging through decarbonisation, electrification and the need to upgrade the UK's infrastructure, our focus needs to be keener than ever. This will mean making the most of SSE's core competencies and creating value for shareholders, energy users and society from developing, owning and operating energy and related infrastructure and services in a sustainable way.

I am of the firm belief that this strategy will produce a meaningful contribution to a low-carbon future. Its delivery will be dependent on the shared talent, skills and values of the people at SSE, and the continuation of the progress made in recent years.

### Being transparent in the way SSE does business

SSE is a leader among FTSE 100 companies when it comes to material disclosure of its impact on the world around it. SSE's gender pay gap was published nearly two years before required by the UK Government and I am pleased that the Board has endorsed an ambitious plan to increase significantly the proportion of women in senior roles between now and 2021, having considered the Hampton-Alexander review of gender balance in FTSE companies.

The openness SSE applies to its tax affairs is evident in its record as the first FTSE 100 company to be awarded the Fair Tax Mark, which has now been secured four years running. This transparency is underpinned by the Board and executive management team's firm belief that rather than a penalty on profit, tax is a way for responsible companies to invest in the communities that they rely on to do business and to achieve growth.

SSE's total tax contribution in the UK and Ireland is just one of several indicators of responsibility and contribution to society that are disclosed annually in the Sustainability Report which is published alongside the Annual Report. It provides data on the number of people injured while working for SSE and its contractors; SSE's overall contribution to GDP in the UK and Ireland; employee productivity (so-called human capital) in the UK; and carbon emissions produced by SSE's operations.

### Working responsibly with stakeholders

SSE takes seriously the responsibility that comes with providing an essential service that drives the UK and Ireland economies and touches the lives of millions. A set of six well-established core values – Safety, Service, Efficiency, Sustainability, Excellence and Teamwork – have, over the years, become a useful shorthand at SSE for being responsible and doing the right thing. These values guide the complex interplay with various stakeholders whose input influences the way SSE conducts itself and who are, in turn, affected by the output of SSE's decisions and actions.

Governments and regulators have a central role in the energy sector and while SSE wholeheartedly respects the democratic process, it has a responsibility to proactively engage with policymakers to balance the long-term interests of energy users with shorter-term political priorities.

SSE has actively engaged in the UK Government's Cost of Energy Review, making the case that a whole system view will best meet the challenges of decarbonisation. At the same time, SSE sees a case for the reform and modernisation of electricity networks but believes the challenges of delivering a low-carbon UK economy are best met by a secure, cost-effective energy system that is privatised, competitive and well regulated. And while Brexit poses no immediate risk, SSE will continue to engage with government to maintain existing energy policy frameworks.

### Making sustainable decisions for shareholders

SSE takes a long-term view to ensure its financial and operational decisions deliver dividends to shareholders and sustainable outcomes for society. Those decisions are coloured by the prevailing market and policy trends in the energy sector in the UK and Ireland, and it was against this backdrop that the proposal was made in November to enter into an agreement with innogy SE in respect of a proposed demerger of SSE's household

energy and services business in Great Britain (now named SSE Energy Services) and immediate combination of that business with innogy SE's subsidiary npower to form a new independent UK-based group.

Making the right investment decisions to support payment of dividends to shareholders continues to be a key focus. A capital investment programme valued at £1.5bn was delivered over the course of 2017/18. Much of this spend was in economically regulated electricity networks and in renewable energy projects. The past year shows how index-linked earnings from projects like these, combined with a commitment to recycling capital through strategic disposals when the right opportunities arise can add real value and help SSE deliver on its primary financial objective of remunerating shareholders' investment through the payment of dividends.

### Contributing to a low-carbon future

SSE responsibly provides the energy and related services people need and it will continue to do so as it goes through this current period of renewal. It will continue to pay dividends to shareholders, continue to invest in vital energy infrastructure and continue to boost the UK and Irish economies. Above all, by being transparent in the way it does business, responsible in the way it works with stakeholders and sustainable in the way it makes decisions, SSE will contribute fully to the creation of a low-carbon future.



**Richard Gillingwater CBE**  
Chairman  
24 May 2018



# RESPONDING TO SHAREHOLDERS AND SOCIETY

### What were SSE's highlights of 2017/18?

There were two high points for me: we were disciplined in meeting our primary financial objective for the year of rewarding shareholders with dividend growth, and decisive in responding to the changes we are seeing in the energy sector.

That financial discipline can be seen in the execution of a £1.5bn capital investment programme that has added to an already significant portfolio of quality assets. That £1.5bn spend is part of an ongoing commitment to investment, mainly in economically regulated electricity networks and renewable energy, in support of the dividend. Meanwhile, two of SSE's biggest ever projects, Beatrice offshore wind farm and the Caithness-Moray transmission link, progressed well over the year and are both on track for commissioning in the course of 2018/19. I'm also pleased that we managed to complete over the course of the year a promised return of value for shareholders in the form of a share buy-back of around 34 million shares at a value of £500m.

### ... and what were the lows?

The low point for me was reviewing the safety data that showed 45 direct employees and 59 contingent workers were hurt while working for SSE in 2017/18. One injury is too many, but a combined total of 104 is something we are fully committed to tackling and for this reason SSE has set bolder performance targets, revisited its Safety, Health and Environment strategy and placed a new emphasis on mental health initiatives.

### Does the planned SSE Energy Services transaction still feel like the right thing to do?

The rationale for the decision taken in November 2017 to propose the creation of a new combined independent retail company and refocus on SSE's core competencies has not changed. I remain convinced that demerging our GB household retail business and combining it with npower is the right thing for customers, the energy market and SSE; and that a refocused energy and related infrastructure and services business is in the best long-term interest of the SSE Group of businesses and our shareholders.

### Will a successful transaction reduce the risk profile of the SSE Group?

The risk profile will certainly change, but how exactly remains unclear. The risks associated with the decision need to be seen in the context of the benefits for the Group outlined in November, namely: a greater focus on assets and infrastructure will be more aligned to SSE's core competences; SSE will be more agile and responsive; and we will have a clearer investment proposition, with the majority of earnings coming from regulated and quasi-regulated sources.

A dedicated project team within SSE is managing the demerger transaction process as well as the risks associated with it and is reporting to the Board and Executive Committee on a regular basis. The risk factors directly associated with the transaction can be found in the Shareholder Circular that will be sent out on 27 June 2018 ahead of a vote on the proposal at the General Meeting on 19 July 2018.

### Are you concerned about increased political and regulatory risk?

Political and regulatory change are a fact of life in our business and we will work constructively with government and regulators to introduce reforms that are intended to benefit customers, while cautioning against any unintended consequences from pricing intervention. In response to Labour Party proposals for a much greater role for the state in energy provision, we argue that modernisation is best delivered by a privatised, competitive and cost-effective system that is well regulated.

Brexit is, of course, a continuing source of uncertainty and SSE's three key concerns are stability of existing policy frameworks, access to European energy markets and continued inclusion of Northern Ireland customers in the all-island Single Electricity Market.

### How has society benefited from two decades of dividend growth?


As a public listed company working in the public interest, I believe SSE has greater obligations and higher standards to meet than other organisations of comparable size. Shareholders finance our operations, customers create revenue through payment of bills, regulators trust us to provide critical services and value for money, and to maintain vital infrastructure, and talented people lend their time and skills to us as employees. In exchange, we pay dividends, we work hard to reliably and safely provide the energy and services that people need, we engage with government and respect the democratic process. We also make a major contribution to the UK and Ireland economies and we give employees a voice and opportunities to develop. I see this as our social contract.

### What are your predictions for the future of the energy industry?

The sector is undergoing a revolution driven by decarbonisation, electrification and the need to upgrade major public infrastructure in the UK. That revolution is not without its challenges, not least ongoing scrutiny of the cost of energy to end users, but the opportunities are significant. By focusing on core competencies of energy and related infrastructure and services, and by staying true to our commitment to creating value for shareholders and society as a whole, we can deliver results that are fair to customers and be a leading energy provider in a low-carbon world. The challenge is to make sure we continue to have the capability and agility to succeed as the energy system changes; and I'm confident that we do.

### What is your ambition for SSE in 2018/19?

The year will be one of major transition for SSE, and I hope it is one in which we are seen as being a safe and responsible company that does a good job for everyone who depends on what we do and contributes positively to the countries we work in.



Alistair Phillips-Davies  
Chief Executive  
24 May 2018





## MEETING OUR OBJECTIVES

SSE's strategy is to create value for shareholders and society from developing, owning and operating energy and related infrastructure and services in a sustainable way. Delivery of this strategy is dependent on the shared talent, skills and values of people throughout SSE.

## CREATING VALUE

Focusing on earning returns for shareholders and making a positive economic and social contribution to the countries in which we operate.

### PROGRESS DURING THE YEAR

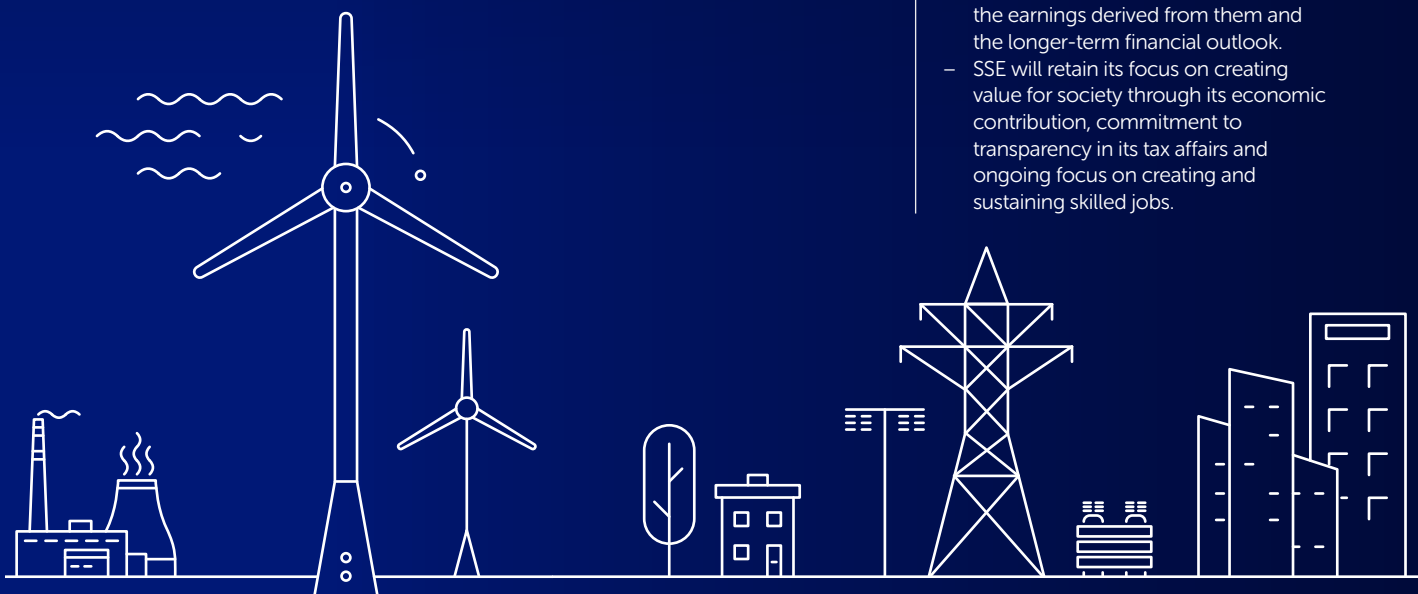
SSE maintained its focus on creating value for shareholders through the payment of dividends, completing two decades of annual dividend growth since it was formed.

SSE's adjusted earnings per share was lower than in 2016/17, but higher than expected at the start of the financial year as a result of good operational performance.

SSE continued to assess the value it creates for society as a whole with analysis of its total contribution to the economies of the UK and Ireland.

### OUTLOOK

- SSE recommended a full-year dividend of 94.7p per share in 2018/19. In 2019 it intends to pay a full-year dividend of 97.5p per share; in the first year after completion of the SSE Energy Services transaction the full-year dividend is planned to be 80p per share; and in each of the three years to 2023 we are targeting dividend growth that at least matches RPI inflation.
- SSE believes that its dividends should be sustainable, based on the quality and nature of its assets and operations, the earnings derived from them and the longer-term financial outlook.
- SSE will retain its focus on creating value for society through its economic contribution, commitment to transparency in its tax affairs and ongoing focus on creating and sustaining skilled jobs.



## DEVELOPING, OWNING AND OPERATING

Being efficient in developing, owning and operating energy and related infrastructure and services and being agile in creating and securing value from them.

### PROGRESS DURING THE YEAR

SSE continued its programme of capital and investment expenditure, and over the past 10 years it has invested around £11bn in regulated electricity networks and renewable energy.

SSE's asset base has continued to grow, with major projects such as the new Caithness-Moray transmission link and Beatrice offshore wind farm continuing to make progress.

Through discipline in investment decision-making and efficiency in the development and construction of new assets, SSE's investment programme is designed to secure returns that are significantly greater than the cost of capital.

### OUTLOOK

- SSE is currently expecting its capital and investment expenditure to total around £6bn across the five years to March 2023, focused on new and upgraded energy and related infrastructure in the UK and Ireland.
- Around £1.3bn of SSE's capital and investment expenditure over the next five years is expected to be in regulated electricity networks and renewable energy.
- By 2020, SSE's diverse portfolio of renewables will comprise over 4.2GW of capacity and by 2023, it expects to own and operate networks with a total Regulated Asset Value of £10bn.

## FOCUSING ON ENERGY AND RELATED INFRASTRUCTURE AND SERVICES

Maintaining a range of complementary business activities that have energy and related services at their core.

### PROGRESS DURING THE YEAR

SSE announced its planned SSE Energy Services transaction but reaffirmed its commitment to remaining a balanced group of related businesses, specialising in energy and related infrastructure and services.

SSE has adapted the presentation of its results within its Retail and Wholesale segments in anticipation of changes to the SSE Group and in support of greater transparency. SSE is involved in a range of core and complementary and adjacent businesses specialising in the energy, infrastructure and services needed to support the transition to a lower carbon future.

### OUTLOOK

- SSE expects to complete the planned SSE Energy Services transaction culminating in that business's combination with npower in the final quarter of 2018 or the first quarter of 2019.
- Following completion of the SSE Energy Services transaction, the SSE Group is expected to benefit from a clearer investment proposition, with greater visibility of future assets and earnings.
- The majority of the reshaped SSE Group's assets and earnings are expected to come from regulated electricity networks and renewable energy.

## BEING SUSTAINABLE

Creating wider value for stakeholders by doing things responsibly.

### PROGRESS DURING THE YEAR

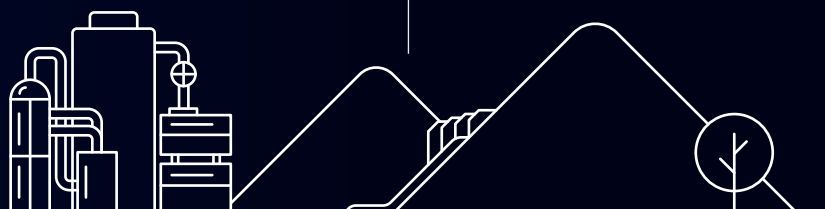
SSE launched an extensive and enduring programme of employee engagement on Safety, built around a licence to ensure safe working: "if it's not safe, we don't do it."

SSE continued to be the only FTSE 100 company to have been awarded the Fair Tax Mark, which requires companies' transparency on tax affairs to be well beyond the requirements of UK company law.

SSE commissioned more than 500MW of new capacity for generating electricity from renewable sources in the year, in support of its vision to be a leading energy provider in a low-carbon world.

### OUTLOOK

- SSE is seeking to embed its focus on a culture of "if it's not safe, we don't do it" through the effective cascade of a simplified, engaging and encouraging language around safety to be used by all employees.
- SSE will maintain its focus on tax transparency, seeking to retain the Fair Tax Mark for the fifth consecutive year.
- SSE has adopted a new ambition to reduce the carbon intensity of the electricity it generates by a further 50% between 2018 and 2030, building on the 50% reduction already achieved since 2006.



## PERFORMANCE INDICATORS

# MEASURING THE FINANCIAL AND NON-FINANCIAL RESULTS OF SSE'S STRATEGY

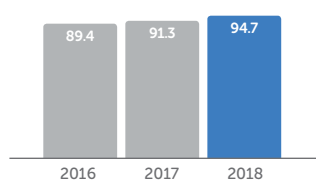
SSE uses a range of indicators to measure its success in delivering its primary financial objective, executing its strategy and fulfilling its core purpose of providing in a responsible way the energy and related services needed now and in the future.

## STRATEGIC PILLARS

### CREATING VALUE

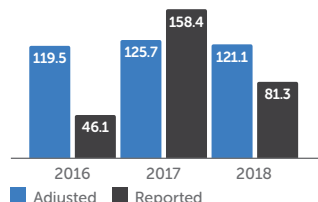
#### KPIS

Dividend per share (pence)



The first financial objective of SSE's strategy is to remunerate shareholders' investment through payment of dividends.

Earnings per share (pence)

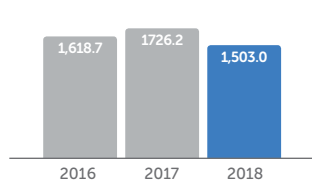


To provide a meaningful measure of underlying financial performance, SSE focuses on adjusted earnings per share.

### DEVELOPING, OWNING AND OPERATING

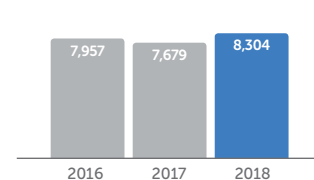
#### KPIS

Adjusted capital and investment expenditure (€m)



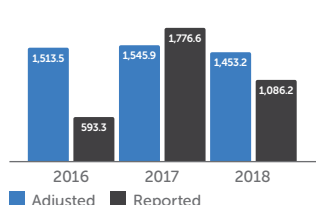
Central to SSE's strategy is efficient and disciplined investment in developing energy and related infrastructure assets needed by energy and utility customers.

Energy networks RAV (€m)



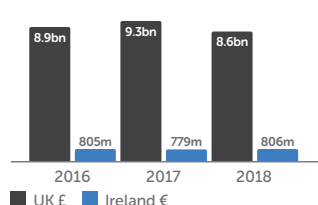
SSE has an ownership interest in five economically-regulated networks, each of which has a Regulatory Asset Value or RAV.

Profit Before Tax (€m)



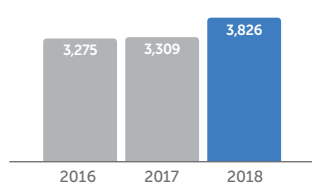
SSE's objective is not to maximise profit in any one year but to earn a sustainable level of profit over the medium term.

Economic contribution UK/Ireland



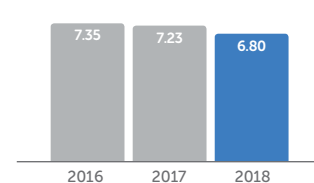
SSE's economic contribution is significantly more than the profits it makes, so SSE measures this by calculating its total contribution to GDP in the UK and Ireland.

Capacity for renewable energy (MW)



SSE owns and operates four types of capacity for generating electricity from renewable sources, including pumped storage.

SSE Energy Services customer accounts (m)



SSE supplies energy and other services to the GB household market through its wholly-owned subsidiary SSE Energy Services.

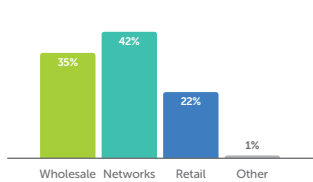
## A FIVE-YEAR DIVIDEND PLAN

SSE is recommending a full-year dividend of 94.7p per share for 2017/18 and in 2018/19 it intends to pay a full-year dividend of 97.5p per share. In the first year after completion of the SSE Energy Services transaction the full-year dividend is planned to be 80p per share; and in each of the three years to 2023 it is targeting dividend growth that at least matches RPI inflation.

## FOCUSING ON ENERGY AND RELATED INFRASTRUCTURE AND SERVICES

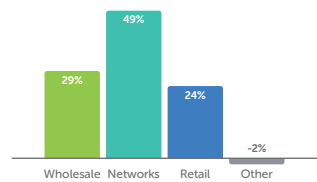
### KPIS

Adjusted operating profit by segment 17/18  
**£1,828.7m**



SSE maintains a balanced range of complementary businesses focused on energy and related infrastructure.

Reported operating profit by segment 17/18  
**£1,379.2m**

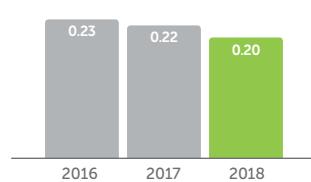


SSE maintains a balanced range of complementary businesses focused on energy and related infrastructure.

## BEING SUSTAINABLE

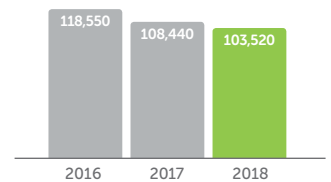
### KPIS

Total Recordable Injury Rate per 100,000 hours worked (SSE employees and contractor combined)



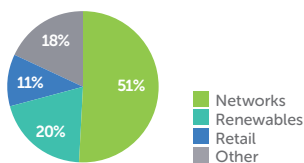
Safety is SSE's first value and SSE assesses the rate of injuries sustained by its direct employees and employees of contractors working on its sites.

Jobs supported in the UK and Ireland



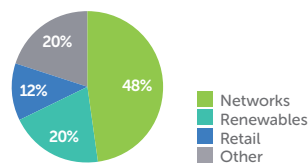
As well as the direct jobs SSE creates across the UK and Ireland, it is responsible for supporting thousands of additional jobs in these countries through supply chain and employee wage spending.

Adjusted capital and investment expenditure by segment 17/18  
**£1,503.0m**



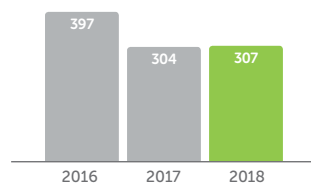
The main focus of SSE's capital and investment expenditure is economically regulated networks and renewable energy.

Adjusted capital and investment expenditure by segment (five-year average)  
**£7,905.7m**



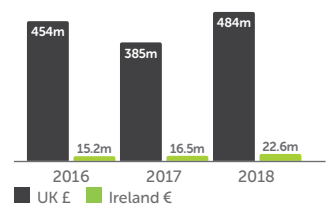
The main focus of SSE's capital and investment expenditure is economically regulated networks and renewable energy.

Carbon intensity of electricity generated (gCO<sub>2</sub>e per kWh)



SSE supports the move to a low-carbon economy and has set ambitions for further reductions in the carbon intensity of the electricity it generates.

Taxes paid UK/Ireland



SSE contributes to society through paying the right amount of tax in the right place and at the right time.

## SSE PLC ANNUAL GENERAL MEETING

The AGM will be held at the Perth Concert Hall, Mill Street, Perth PH1 5HZ at 12.30pm on Thursday 19 July 2018.

Full details of the resolutions being proposed at the AGM, together with explanatory notes and information on shareholders' rights to attend and vote, are set out in the SSE plc Notice of Annual General Meeting 2018. You should refer to the SSE plc Notice of Annual General Meeting 2018, and the SSE Annual Report 2018 before voting on the resolutions.

View the SSE plc Annual Report and Notice of Annual General Meeting for 2018, and vote online at

[sse.com](http://sse.com)

## SSE's Board of Directors



**Richard Gillingwater CBE**  
Chairman



**Alistair Phillips-Davies**  
Chief Executive



**Gregor Alexander**  
Finance Director



**Martin Pibworth**  
Wholesale Director



**Crawford Gillies**  
Senior Independent Director



**Dame Sue Bruce DBE**  
Non-Executive Director



**Peter Lynas**  
Non-Executive Director



**Helen Mahy CBE**  
Non-Executive Director



**Tony Cocker**  
Non-Executive Director

### Corporate governance

An overview of corporate governance within SSE, including details of our compliance with the UK Corporate Governance Code 2016, can be found in the Directors' Report within the 2018 Annual Report. Full biographies for each director can also be found in the report and at [sse.com](http://sse.com).

### HOW TO VOTE ONLINE\*

To vote online, please visit [sse.com](http://sse.com) and follow the 2018 AGM links on the homepage. You will be asked to enter your Investor Code (printed on the letter from the Chairman which accompanies this Performance Summary) and agree to terms and conditions. All voting instructions should be made as soon as possible and be no later than 12.30pm on Tuesday 17 July 2018.

### For further information about SSE, please contact:

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Registered in Scotland No. 117119

\* In order to make voting easier and to reduce SSE's environmental impact, paper proxy voting cards are only sent to shareholders who have asked to receive a hard copy of the 2018 Annual Report unless instructed otherwise. You can change how we communicate with you by contacting the Company's Share Registrar.

Shareholder enquiries: The Company's register of members is maintained by our appointed Registrar, Link Asset Services. Shareholders with queries relating to their shareholdings should contact Link directly: Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: 0345 143 4005.

