



Mr Richard Gillingwater

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21 July 2015

Dear Richard

Following the recommendation of the Nomination Committee in March 2015, the Board of SSE Plc ('the Company') has appointed you as Chairman of the Company and Nomination Committee with effect from 23 July 2015.

This letter sets out the main terms of your appointment. By accepting this appointment, you agree that this letter is a contract for services and is not a contract of employment and you confirm that you are not subject to any restrictions which prevent you from holding office as a director.

#### **1. Appointment**

Your appointment as Chairman will be for an initial term of three years commencing on 23 July 2015, unless otherwise terminated earlier by and at the discretion of either party upon three month's written notice.

Continuation of your contract of appointment is contingent on satisfactory performance and re-election by shareholders at forthcoming AGMs. Typically the Chairman is expected to serve two three-year terms, although the Board may invite you to serve for an additional period.

Your appointment will be subject to the Articles of Association of the Company. If, in accordance with the requirements of the Articles, your appointment should come to an end for any reason before the end of the period referred to in this clause, it is understood that you would not have any claim for loss of office.

## **2. Committees**

In line with best practice, upon appointment as Chairman you will step down as a member of the Audit Committee and as Chairman of the Remuneration Committee, you may however, remain a member of the Remuneration Committee. You will become Chairman to the Nomination Committee.

## **3. Time commitment**

Overall we anticipate a time commitment of around two days per week. This will include attendance at (normally) 6 Board meetings per annum, Committee meetings, the AGM, other general meetings of shareholders and separate meetings of non-Executive Directors where required. In each month where there is not a Board meeting, there is a Board conference call to update the Directors on the general business of the Group. The regular Board meetings start with a business dinner on the previous evening with an overnight stay. There may also be an occasional Board away day, and you will be expected to undertake separately at least one site visit per year. In addition, you will be expected to devote appropriate preparation time ahead of each meeting.

A greater time commitment could be necessary at times, particularly when travelling on company business or in the case of significant events such as a major transaction or other corporate action.

By accepting this appointment, you have confirmed that you are able to allocate sufficient time to meet the expectations of your role. The agreement of the Board should be sought before accepting additional commitments that might affect your position as Chairman of the Company.

## **4. Role**

### **4.1 General Duties**

As Chairman, your duties will be those normally required of a non-Executive Director which have been outlined in Schedule 1 of this letter.

You will have regard to relevant obligations under prevailing law and regulation, including the Companies Act 2006, the UK Corporate Governance Code and associated guidance and the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules. In particular you should have regard to the Guidance on Board Effectiveness, issued by the Financial Reporting Council in March 2011, of which an extract is included in Schedule 2 of this letter.

All directors must act in a way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing so, as a director, you must have regard (among other matters) to:

- a. the likely consequences of any decision in the long term;
- b. the interest of the company's employees;
- c. the need to foster the Company's business relationships with suppliers, customers and others;



- d. the impact of the Company's operations on the community and the environment;
- e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly as between the members of the Company.

#### **4.2 Chairman's Duties**

The Chairman is responsible for setting the Board's agenda, promoting a culture of openness and ensuring constructive relations between executive and non-executive directors. In your role as Chairman, your duties will be those normally required of a non-executive Chairman as summarised in Schedule 3, this is in addition to the general non-executive director duties outlined above in 4.1, laws, rules and other relevant legislation.

#### **5. Fees and expenses**

You shall be paid an annual fee of £360,000.00 gross for your role as Chairman and Chair of the Nomination Committee (current at the date of this letter), which shall be paid in monthly arrears, and which will be subject to review by the Board.

The Company shall reimburse you for all reasonable and properly documented expenses that you incur in performing the duties of your office.

On termination of your appointment, you shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred before that date.

#### **6. Independent professional advice**

Occasions may arise when you consider that you need professional advice in the furtherance of your duties as chairman. Circumstances may also occur when it will be appropriate for you to seek advice from independent advisors at the Company's expense. The Company will reimburse the full cost of expenditure incurred in accordance with its policy.

#### **7. Outside interests**

It is accepted and acknowledged that you have business interests other than those of the Company and have declared any conflicts that are apparent at present. If you become aware of any further potential or actual conflicts of interest, these should be disclosed to the Chief Executive and Company Secretary as soon as apparent. In accordance with the normal procedure, the Board will then need to consider your position and decide whether to approve any conflict and, if so, on what basis.

You will not, without the prior written consent of the Company, during the period of your appointment, be engaged in or concerned with any business which conflicts with any business carried out by the Company.

The Board has determined that you are independent according to the provisions of the UK Corporate Governance Code.

## **8. Confidentiality**

All information acquired during your appointment is confidential to the Company and should not be released, either during your appointment or following termination (by whatever means), to third parties without prior clearance from the Chief Executive or Company Secretary.

## **9. Inside information and dealing in the Company's shares**

Your attention is drawn to the requirements under both law and regulation as to the disclosure of inside information. You should avoid making any statements that might risk a breach of these requirements without prior clearance from the Chief Executive or Company Secretary.

During the appointment, you will comply with the rules adopted by the Company governing dealings by the Directors in the shares of the Company. A copy of the current share dealing code adopted by the Company will be provided to you by the Company Secretary. The Board has adopted a policy on Directors' shareholdings, which provides that each non-executive director should own at least 2,000 shares in the Company.

## **10. Induction and training**

The Company is able to arrange for you to have training appropriate for a director of your standing, including refresher courses to keep you appraised of the legal and regulatory developments.

## **11. Review process**

The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role you should discuss them with the Chief Executive, Senior Independent Director or Company Secretary as soon as appropriate. Your performance will be evaluated by the non-Executive Directors in conjunction with Executive Directors and led by the Senior Independent Director.

## **12. Insurance and indemnity**

The Company has directors' and officers' liability insurance and it is intended to maintain such cover for the full term of your appointment. The current indemnity limit is £100m and details are available from the Company Secretary.

## **13. Data protection**

By signing this letter you consent to the Company holding and processing data about you for legal, personnel, administrative and management purposes and in particular to the processing of any sensitive personal data (as defined in the Data Protection Act 1998).

This letter supercedes the letters dated 20 March 2007 and 1 December 2014 covering your appointment as non-Executive Director and Deputy Chairman.

Would you please sign and return the enclosed copy of this letter to acknowledge your acceptance of the provisions in this letter.

Yours sincerely

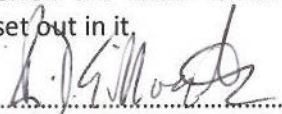


Lord Smith of Kelvin

Chairman

On behalf of SSE plc

I have received the letter which this is a duplicate and confirm my acceptance of the provisions set out in it.

Signature.....

Date.....20/7/15.....



## **Schedule 1.**

### **Role of Non-Executive Directors**

Non-executive directors have the same general legal responsibilities to the company as any other director. The Board as a whole is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board:

- provides entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
  - sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the company to meet its objectives, and reviews management performance; and
  - sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.
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- In addition, the role of the non-executive has the following key elements:
  - constructively challenge and contribute to the development of strategy;
  - scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
  - satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible; and
  - be responsible for determining appropriate levels of remuneration of executive directors and succession planning.

## **Schedule 2.**

### **Guidance for Non-Executive Directors**

(Extracted from the March 2011 FRC Guidance on Board Effectiveness)

A non-executive director should, on appointment, devote time to a comprehensive, formal and tailored induction which should extend beyond the boardroom. Initiatives such as partnering a non-executive director with an executive board member may speed up the process of him or her acquiring an understanding of the main areas of business activity, especially areas involving significant risk. The director should expect to visit, and talk with, senior and middle managers in these areas.

Non-executive directors should devote time to developing and refreshing their knowledge and skills, including those of communication, to ensure that they continue to make a positive contribution to the board. Being well-informed about the company, and having a strong command of the issues relevant to the business, will generate the respect of the other directors.

Non-executive directors need to make sufficient time available to discharge their responsibilities effectively. The letter of appointment should state the minimum time that the non-executive director will be required to spend on the company's business, and seek the individual's confirmation that he or she can devote that amount of time to the role, consistent with other commitments. The letter should also indicate the possibility of additional time commitment when the company is undergoing a period of particularly increased activity, such as an acquisition or takeover, or as a result of some major difficulty with one or more of its operations.

Non-executive directors have a responsibility to uphold high standards of integrity and probity. They should support the chairman and executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond.

Non-executive directors should insist on receiving high-quality information sufficiently in advance so that there can be thorough consideration of the issues prior to, and informed debate and challenge at, board meetings. High-quality information is that which is appropriate for making decisions on the issue at hand – it should be accurate, clear, comprehensive, up-to-date and timely; contain a summary of the contents of any paper; and inform the director of what is expected of him or her on that issue.

Non-executive directors should take into account the views of shareholders and other stakeholders, because these views may provide different perspectives on the company and its performance.

### Schedule 3.

#### Role of Chairman

(Extracted from the March 2011 FRC Guidance on Board Effectiveness)

The chairman's role includes:

- demonstrating ethical leadership;
- setting a board agenda which is primarily focused on strategy, performance, value creation and accountability, and ensuring that issues relevant to these areas are reserved for board decision;
- ensuring a timely flow of high-quality supporting information;
- making certain that the board determines the nature, and extent, of the significant risks the company is willing to embrace in the implementation of its strategy, and that there are no 'no go' areas which prevent directors from operating effective oversight in this area;
- regularly considering succession planning and the composition of the board;
- making certain that the board has effective decision-making processes and applies sufficient challenge to major proposals;
- ensuring the board's committees are properly structured with appropriate terms of reference;
- encouraging all board members to engage in board and committee meetings by drawing on their skills, experience, knowledge and, where appropriate, independence;
- fostering relationships founded on mutual respect and open communication – both in and outside the boardroom – between the non-executive directors and the executive team;
- developing productive working relationships with all executive directors, and the CEO in particular, providing support and advice while respecting executive responsibility;
- consulting the senior independent director on board matters in accordance with the Code;
- taking the lead on issues of director development, including through induction programmes for new directors and regular reviews with all directors;
- acting on the results of board evaluation;
- being aware of, and responding to, his or her own development needs, including people and other skills, especially when taking on the role for the first time; and
- ensuring effective communication with shareholders and other stakeholders and, in particular, that all directors are made aware of the views of those who provide the company's capital.