



2024 Annual Activity Report

Scottish Power Energy Network Holdings Limited

Audit & Compliance Committee

30 January 2025

Confidential

Background

Report for the year 2024 presented to the Scottish Power Energy Networks Holdings Limited Audit & Compliance Committee (“**the Committee**”) for noting by the Committee and thereafter submitted to the Board of Directors of Scottish Power Energy Networks Holdings Limited for approval, pursuant to article 5 of the Terms of Reference of the Committee.

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1. Introduction

In accordance with the provisions of the Articles of Association of Scottish Power Energy Networks Holdings Limited (“**the Company**”), the board of Directors established the Committee on 31 January 2018. The Committee is a permanent internal body and has an informative and consultative role. The Committee does not have an executive function. It has powers to gather information, carry out assessments and present proposals to the Board of Directors within the scope of its activities.

The Committee provides an additional assurance that the Board of Directors supervises the significant risks of the Business with the utmost transparency, self-discipline and rigour. In assessing the effectiveness of the Internal Control System, where relevant to the Company, the Committee contributes to the attainment of the strategic objectives of the Company. While an effective Internal Control System does not, in and of itself, guarantee the achievement of such goals, it does provide an assurance that the Management of the Company makes its decisions within the framework of the guidelines and standards issued by the Board of Directors.

The Committee’s Terms of Reference set out the authority and responsibilities of the Committee together with its method of operation. The Terms of Reference have been prepared taking into account the fact that the ultimate parent company of the Company is a listed company, is the parent company of the Iberdrola Group and also has an Audit and Risk Supervision Committee within its governance structure.

The Committee exercises its functions with full autonomy, notwithstanding the establishment of a framework for collaborating with and reporting on the development of its functions with the Iberdrola Audit and Risk Supervision Committee and the Internal Audit function as defined in the Regulations of the Audit and Risk Supervision Committee of Iberdrola S.A.

2. Composition, Meetings and Attendance

The Committee consists of the following members:

Member	Title	Position
Gillian Elizabeth King	External, Non-Executive Member (Chairperson)	External, Non-Executive Director – Scottish Power Energy Networks Holdings Limited
Rt Hon Charles Hendry	External, Non-Executive Member	External, Non-Executive Director – Scottish Power Energy Networks Holdings Limited
Mónica Grau Domene	Internal, Non-Executive Member	Administration and Control Director of Iberdrola's Networks Business

The following changes occurred during 2024 to the composition of the Committee: (i) Gillian King was appointed as an external non-executive member on 19 June 2024; (ii) Alison McGregor ceased to be an external non-executive member and Chair of the Committee on 22 August 2024 following her resignation due to the expiry of her term; and (iii) Gillian King was appointed as the Chair of the Committee on 26 August 2024.

In 2024, the Committee met on 5 occasions and pursuant to the Committee's procedures under Article 13 of the Company's Articles of Association, the Committee, also adopted 5 written resolutions. After a call of each of the meetings, or any procedure to adopt written resolutions, the members of the Committee were provided with all information required to properly prepare for the topics submitted for their consideration.

The meetings of the Committee in 2024 are set out below:

Date	Place where the meeting was held
25 January 2024	Glasgow
19 March 2024	Glasgow
19 June 2024	Glasgow
19 September 2024	Glasgow
21 November 2024	Glasgow

The level of attendance of each of the members of the Committee at the meetings held during 2024 is set forth below:

Member	Meetings attended
Gillian King	Attended all meetings from date of appointment
Rt Hon Charles Hendry	Attended all meetings
Mónica Grau Domene	Attended all meetings
Alison McGregor	Attended all meetings before resignation

3. Audit and Compliance Committee Meetings 2024

3.1. Committee Highlights

2024

Number of meetings	5
Number of written resolutions	5
Reports, Proposals and Updates to the Company's Board of Directors	32
Presentations from Senior Management	50
Presentations from the External Auditor	3

3.1.1. Reports, proposals and updates to the Scottish Power Energy Networks Holdings Limited Board of Directors

Title	Date
1. 2024 Calendar of Sessions	25 January 2024
2. 2023 SPEN ACC Annual Activity Report	
3. SPEN ACC Report – 2023 Year End Financial Information	
4. SPEN ACC Report – Compliance with Corporate Tax Policy	
5. 2024 Internal Audit Budget	
6. 2023 Director of Internal Audit Performance / 2024 Objectives	
7. SPEN ACC Report – External Auditor Independence (2024 Statutory Accounts)	
8. 2024 Compliance Unit Budget and Annual Activity Plan	
9. 2023 Business Compliance Officer Performance / 2024 Objectives	
10. 2024 Risk Department Objectives, Budget and Annual Activity Plan	
11. SPEN ACC Risk Report – Enterprise Risk Management	
12. 2024 Cyber Security Plan	
13. SPEN ACC Report - Q1 2024 Financial Information	19 March 2024
14. 2023 Non-Financial Information Report	

- 15. SPEN ACC Risk Report – Enterprise Risk Management
- 16. SPEN ACC Report – 2023 Related Parties Transactions
- 17. Compliance System Effectiveness Report

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- 18. SPEN ACC Report - H1 2024 Financial Information 19 June 2024
 - 19. 2024 Cyber Security Plan update
 - 20. SPEN ACC Risk Report – Enterprise Risk Management
 - 21. SPEN ACC Report on SPEN's 2023/24 Regulatory Submissions
 - 22. SPEN ACC Report – Special Purpose Vehicles or entities domiciled in tax havens

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- 23. SPEN ACC Report - 2024 Q3 Financial Information 19 September 2024
 - 24. 2024 Tax Strategy
 - 25. SPEN ACC Report – Non-Audit Services
 - 26. Sustainable Development Update
 - 27. SPEN ACC Report – Special Purpose Vehicles or entities domiciled in tax havens

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- 28. SPEN ACC Report on Intercompany Contracts 21 November 2024
 - 29. 2025 Internal Audit Plan
 - 30. 2024 SP Cyber Security Update
 - 31. Data Protection Officer Update
 - 32. Compliance Unit Update
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3.1.2. Senior Management Presentations

Date	Senior Manager	Presentation
25 January 2024	Finance Director	2023 Year End Financial Performance Review
	UK Group Tax Director	Report on Compliance with Corporate Tax Policy
	Director of Internal Audit and Head of Internal Audit	Internal Audit Report on Year End Financial Information & Certification Process 2023 Internal Audit Annual Activity Report Internal Audit Activities Update
	Business Compliance Officer	Compliance Update
	UK Risk Director	SPEN Risk Report
	Processes and Technology Director and ScottishPower Chief Information Security Officer (CISO)	2023 Cyber Security Update 2024 Cyber Security Plan

19 March 2024	Finance Director	Q1 2024 Financial Performance Review
	Director of Internal Audit and Head of Internal Audit	Internal Audit Report on Q1 2024 Financial Information Internal Audit Activities Update
	Processes and Technology Director	ESG Update
	UK Risk Director	SPEN Risk Report
	SPEN HR Director	Resourcing Plan Update
	Business Compliance Officer	Compliance Update
19 June 2024	Finance Director	2024 to date Financial Performance Review Accounts completion for Licensed Companies Draft Directors' and External Auditor's Report
	Director of Internal Audit and Risk and Head of Internal Audit	Internal Audit Report on H1 2024 Financial Information External Auditor's Independence Letter Internal Audit Activities Update
	UK Risk Director	SPEN Risk Report Risk Management Transformation Project
	Processes and Technology Director and ScottishPower CISO	2024 Cyber Security Plan Update
	Network Planning & Regulation Director	Draft Certification of Availability of Resources Draft Certificate of Compliance Draft Intervention Plan Draft Certification of Unbundling Draft Ultimate Controller Undertaking Draft Tax Assurance Statement Draft Business Separation Report Network Planning and Regulation Report on SPEN's 2023/24 Regulatory Submissions
	Business Compliance Officer	2024 Compliance Report and Activity Plan Update

**19 September
2024**

Finance Director	2024 Q3 Financial Performance Review
Director of Internal Audit and Risk and Head of Internal Audit	Internal Audit Report on 2024 Q3 Financial Information 2024 Internal Audit Activities Update Update on implementing the new Internal Audit Global Standards
Processes and Technology Director	Sustainable Development Update
Cyber Security Director	Acceptable Use Policy
Business Compliance Officer	Compliance Unit Report
UK Risk Director	SPEN Risk Report Integrated Risk Management project update

**21 November
2024**

Finance Director	October 2024 Financial Performance Review
Director of Internal Audit and Risk and Head of Internal Audit	2024 Internal Audit Activities Update
ScottishPower CISO and Cyber Security Director	2024 Cyber Security Update SPEN Risk Appetite Statement
UK Risk Director	SPEN Risk Report
Business Compliance Officer	2024 Compliance Update
Company Secretary and Legal Director	Legal Claims and Regulatory Investigations

3.1.3. External Auditor Presentations

Subject	Date
External Audit Update on 2023 Year End	25 January 2024
External Audit Update on Statutory Accounts	19 June 2024
External Audit Plan and Strategy	21 November 2024

3.2. Meeting agendas

In 2024, the Committee held five meetings. The following tables show the business transacted at each of these meetings:

Session 1 – 25 January 2024

Legal Update

- 2024 Calendar of Sessions
- 2023 SPEN Annual Activity Report
- PWC Audit of Governance & Sustainability System – Results & Findings

Financial Information Review

- External Audit Update
- 2023 Year End Financial Performance Review
- Internal Audit Report on Year End Financial Information & Certification Process
- SPEN ACC Report – 2023 Year End Financial Information
- Report on Compliance with Corporate Tax Policy
- SPEN ACC Report – Compliance with Corporate Tax Policy

Internal Audit Update

- 2024 Internal Audit Budget
- 2023 Internal Audit Annual Activity Report
- 2023 Director of Internal Audit Performance / 2024 Objectives
- Internal Audit Activities Update
- SPEN ACC Report – External Auditor Independence (2024 Statutory Accounts)

Compliance Unit Update

- 2024 Compliance Unit Budget and Annual Activity Plan

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- 2023 Business Compliance Officer Performance / 2024 Objectives
 - SPEN Compliance Update

Risk Update

- Risk Department Objectives, Budget and Annual Activity Plan
- SPEN Risk Report
- SPEN ACC Risk Report – Enterprise Risk Management

Cyber Security Update

- 2023 Cyber Security update
- 2024 Cyber Security Plan

Session 2 – 19 March 2024

Financial Information Review

- Q1 2024 Financial Performance Review
- Internal Audit Report on Q1 2024 Financial Information
- SPEN ACC Report - Q1 2024 Financial Information

Internal Audit Update

- Internal Audit Activities Update

ESG Update

2023 Non-Financial Information Report

Risk Department Update

- Key Risk Report
- SPEN ACC Risk Report – Enterprise Risk Management

Compliance Unit Update

- Compliance Update
- SPEN ACC Report – 2023 Related Parties Transactions
- Compliance System Effectiveness Report

Session 3 – 19 June 2024

Financial Information Review

- External Audit Update on Statutory Accounts
- 2024 to date Financial Performance Review
- Internal Audit Report on H1 2024 Financial Information & Certification
- SPEN ACC Report on SPEN's H1 2024 Financial Information

2023 Licensed Companies' Accounts

- Accounts completion for Licensed Companies
- Draft Directors' and External Auditor's Reports
- External Auditor's Independence Letter

Internal Audit Update

- 2024 Internal Audit Activities Update

Cyber Security

- 2024 Cyber Security Plan update

Risk Update

- SPEN Risk Report
- SPEN ACC Risk Report – Enterprise Risk Management
- Risk Management Transformation Project

2024 Regulatory Submissions

- Draft Certification of Availability of Resources
- Draft Certificate of Compliance
- Draft Intervention Plan
- Draft Certification of Unbundling
- Draft Ultimate Controller Undertaking
- Draft Tax Assurance Statement
- Draft Business Separation Report
- Network Planning and Regulation Report on SPEN's 2023/24 Regulatory Submissions
- SPEN ACC Report on SPEN's 2023/24 Regulatory Submissions

Compliance Unit Update

- 2024 Compliance Report and Activity Plan Update

Special Purpose Entities and Tax Haven Companies

- SPEN ACC Report - Special Purpose Vehicles or entities domiciled in tax havens

Committee Members' Education Programme

Session 4 – 19 September 2024

Financial Information Review

- 2024 Q3 Financial Performance Review
- Internal Audit Report on 2024 Q3 Financial Information
- SPEN ACC Report on SPEN's 2024 Q3 Financial Information
- 2024 Tax Strategy

Internal Audit Update

- 2024 Internal Audit Activities Update
- Update on implementing the new Internal Audit Global Standards
- SPEN ACC Report – Non-Audit Services

Sustainable Development Update

Cyber Security Update

- Acceptable Use Policy

Risk Update

- SPEN Risk Report
- Integrated Risk Management Project update

Compliance Unit Update

- Compliance Unit Report

Special Purpose Entities and Tax Haven Companies

- SPEN ACC Report - Special Purpose Vehicles or entities domiciled in tax havens

SPEN ACC Terms of Reference

Session 5 – 21 November 2024

Financial Information Review

- External Audit Plan and Strategy
- October 2024 Financial Performance Review
- SPEN ACC Report – Intercompany Contracts

Internal Audit Update

- 2024 Internal Audit Activities Update
- 2025 Internal Audit Plan

Cyber Security Update

- 2024 Cyber Security Update
- SPEN Risk Appetite Statement

Data Protection Officer Update

Risk Update

- SPEN Risk Report
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Compliance Update

- 2024 Compliance Update
- Business Separation Compliance Officer Update

Legal Claims and Regulatory Investigations

Legal Update

- Commencement of the 2024 Corporate Governance Audit
 - Commencement of the preparation of the Annual Activities Report
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Article 13 of the Company's Articles of Association makes provision for the use of an electronic voting system for the purpose of adopting a directors' written resolution process. The Committee passed 5 written resolutions during 2024 as follows:

- **16 May 2024:** appointment of Gillian Elizabeth King as a Sufficiently Independent Director of SP Transmission plc ("SPT"), SP Distribution plc ("SPD") and SP Manweb plc ("SPM");
- **24 May 2024:** (i) appointment of Nicola Connelly as a Director of SPT, SPD, SPM, SP Power Systems Limited ("SPPS") and Eastern Green Link 1 Limited; (ii) the re-appointment of the Company's auditors in respect of the 2024 statutory audit, and the report from the Committee on the Terms of Engagement of the Company's auditors for the 2024 statutory audit; and (iii) General Risk Control and Management Policy; Corporate Risk Policies; Risk Policy for the Company and the Company Group; the Risk Limit Guidelines; and the Business Specific Risk Limit Guidelines;
- **5 July 2024:** appointment of Lord John Matthew Hutton as a Sufficiently Independent Director of SPT, SPD and SPM;
- **9 July 2024:** approval of the report from the Committee on the External Auditor Services for Controlling Entities and the 2024 CEO Objectives; and
- **13 September 2024:** appointment of: (i) Guy Jefferson as a Director of SPT; (ii) Douglas Ness as a Director of SPPS, Eastern Green Link 1 Limited, NGET/SPT Upgrades Limited and Derryherk Limited; and (iii) Craig Arthur as a Director of Derryherk Limited.

4. Main Activities

In 2024, the Committee carried out a number of planned activities in order to effectively discharge the duties entrusted to it by the Board of Directors of the Company.

4.1. Internal audit

The Terms of Reference* indicate that the role of the Committee is “To oversee the independence and efficiency of the Internal Audit Department... To approve the guidelines and the annual action plans established by the head of the Internal Audit Department... to propose the budget of the Internal Audit Department, for its approval by the Board of Directors.... To oversee the performance of the Internal Audit Department... To receive regular information on, and supervise, the activities carried out by the Internal Audit Department... to evaluate the functioning of the Internal Audit Department... To ensure that the managers of the relevant departments of the Company take into account the conclusions and recommendations in the reports of the Internal Audit Department.”

The Director of Internal Audit presented a report to the Committee at its meeting on 25 January 2024, summarising the main activities and achievements of the Internal Audit department in 2023.

On 25 January 2024, the Committee proposed the 2024 Internal Audit Annual Budget for approval by the Company’s Board.

On 25 January 2024 the Committee reviewed and approved the Director of Internal Audit’s 2023 performance and the Director of Internal Audit’s proposed 2024 objectives prior to submission to the Board of Directors for approval.

At every meeting in 2024 the Director of Internal Audit presented a report to the Committee to update on Internal Audit activities.

On 21 November 2024, the Committee approved the 2025 Internal Audit Annual Plan. The 2025 Internal Audit Annual Plan was derived in accordance with the guidelines and general plans established by the head of the Iberdrola Internal Audit Department but focused on the Company’s risks.

4.2. Internal monitoring and risk management systems

The Terms of Reference* indicate that the role of the Committee is “To be aware of and keep under review the Company’s internal control system, internal risk monitoring and management systems... To ensure... that the main risks of the Company and those of any of the Company’s subsidiaries are identified, managed and adequately reported... To analyse...the relevant weaknesses of the internal

control system that may have been detected in the course of the audit of the Company... To oversee the performance of and maintain appropriate relationships with the Compliance Unit and, when applicable, Risk Department... To provide, at least every six months, a report regarding the internal control and risk management systems of the Company and its subsidiaries for the Board of Directors... To oversee the data protection and cybersecurity activities to be reported to the Committee, which are in turn reported to the Board of Directors.”

The UK Risk Director presented papers to the Committee on 25 January, 19 March and 19 June 2024 providing an update on the performance against defined key limits and indicators, and the main risks facing the Company. Each of these reports were presented by the Chair of the Committee to the Company’s Board. The UK Risk Director also presented the SPEN Risk Report at every Committee meeting in 2024.

On 24 May 2024, the Committee passed a directors’ written resolution which noted the General Risk Control and Management Policy, Corporate Risk Policies, Risk Policy for the Company and the Company Group, Risk Limit Guidelines and Business Specific Risk Limit Guidelines.

The ScottishPower Chief Information Security Officer and the Company’s Director of Processes and Technology (and latterly the Company’s Director of Cyber Security) presented the 2024 Cyber Security Plan Update to the Committee on 25 January, 19 June and 21 November 2024, which was also presented to the Board. The Company’s Director of Cyber Security also presented Cyber Security updates on the Acceptable Use Policy on 21 September 2024 and on the SPEN Risk Appetite Statement on 21 November 2024.

On 21 November 2024, the Data Protection Officer presented her report regarding data protection compliance which was also presented to the Board.

4.3. Audited Accounts

The Terms of Reference* indicate that the role of the Committee is “To propose to the Board of Directors the appointment, and terms of engagement, of the Company’s auditors, in accordance with the policy as established by Iberdrola...To establish appropriate relationships with the auditors and to receive information on those issues related to the audit process which may put their independence at risk..... To receive information regularly from the auditors on any issues which may be provided for in applicable legislation and/or the relevant audit practices in force from time to time...To issue, and provide to the Board of Directors, on an annual basis and prior to the issuance of the Company’s auditors’ report, a report setting forth an opinion on the independence of the auditors... To receive information about any kind of additional service other than the audit services that the auditors may provide to the Company...To review the contents of the auditors’ reports before

they are issued... To serve as a communication channel between the Board of Directors and the auditors”.

On 25 January 2024, as part of the supervision of the auditing of the financial statements by the Committee, representatives from the external auditor (KPMG) appeared before the Committee to present the External Audit Update on the December 2023 Statutory Accounts. Representatives from the external auditor also appeared before the Committee on 19 June 2024 to present the External Audit Update on Statutory Accounts. Further, representatives from the external auditor presented to the Committee on 21 November 2024 on the External Audit Plan and Strategy for the year ending 31 December 2024.

On 25 January 2024, the Committee approved their report noting that: (i) the external auditor has confirmed their independence in the letter sent to the Directors of SPT, SPD and SPM dated 26 October 2023; (ii) the external auditor has not reported any situation or risk that could affect its independence; (iii) the external auditor has confirmed that as part of their internal procedures and rules, they have in place adequate processes to consider any threats to their independence and relevant safeguards and mitigations; (iv) the external auditor has confirmed that the total value of non-audit fees for services provided during the period ended 31 December 2023 does not create a self-interest threat since the absolute level of fees is not significant to the firm as a whole; and (v) all non-audit services were pre-approved by the Committee and the value of these services are not material.

On 24 May 2024 the Committee approved the reappointment and conditions of the engagement of the external auditor (KPMG) for the 2024 statutory audit.

On 19 September 2024 the Committee considered and approved the non-audit services to be provided by the external auditor for the financial year to December 2024.

4.4. Financial Information

The Terms of Reference* indicate that the role of the Committee is “To oversee the preparation and presentation process and the clarity and accuracy of the financial information (including half year information) related to the Company...To evaluate any proposal regarding any changes within the general accounting practices, policies and procedures of the Iberdrola Group as they relate to the Company...To prepare a report for the Board of Directors on the annual and interim financial statements...To gather information on significant adjustments to financial statements identified by the auditor or resulting from the reviews carried out by the Internal Audit Department...To oversee compliance with the legal requirements and the correct application of the national, generally accepted accounting principles, and those international financial reporting standards...To inform the Board of

Directors of the principles on which any transactions carried out between the Company and any of the other companies forming part of the Iberdrola Group.”

One of the most significant activities of the Committee is the periodic submission to the Board of Directors of its reports on the approval of the year end and interim economic and financial information of the Company. Through the support of the Director of Internal Audit, the Committee approved the reports for the Company’s Board of Directors, specifically:

- o Results to 31 December 2024 on 25 January 2024;
- o Results to 31 March 2024 on 19 March 2024;
- o Results to 30 June 2024 on 19 June 2024; and
- o Results to 30 September 2024 on 19 September 2024.

The reports of the Committee provide an opinion to the Board of Directors on the following: changes in accounting policies and practices from those adopted in the 2023 consolidated annual accounts of the Iberdrola Group; comments and observations about the significant issues of the period; and potential risks and sources of uncertainty in the accounting policies and practices adopted with potentially significant impact in the 2024 consolidated annual accounts.

At the Committee meeting held on 25 January 2024, the Director of Internal Audit provided assurance on the processes relating to the preparation of the financial information for the 2023 year end ensuring that all the required reviews, guarantees and certification were scheduled to be completed in accordance with agreed timetable.

At each meeting of the Committee during 2024, the Finance Director presented an update about the financial performance of the Company. In addition, at the Committee meeting held on 25 January 2024 the external auditors (KPMG) also presented an update on the December 2023 Statutory Accounts.

On 21 November 2024, the Committee noted the 2024 list of intercompany contracts for the Company together with the standards and principles upon which those transactions were based and informed the Board of the same on 21 November 2024.

4.5. Sustainable Development

The Terms of Reference* indicate that the role of the Committee is to “supervise the Company’s actions relating to the sustainable development activities of the Company and, particularly, whether its environmental and social practices conform to the global strategy and policies of the Iberdrola Group, and of the Company, and report on the same to the Board of Directors.”

On 19 September 2024, the Director of Processes & Technology presented the update on Sustainable Development which was also presented to the Board.

4.6. Compliance, Good Governance and Prevention and Correction of Fraudulent and Illegal Behaviours

The Terms of Reference* indicate that the role of the Committee is to “To receive information from the Compliance Unit in connection with any significant matters relating to regulatory compliance and the prevention and correction of improper or illegal conduct or acts....To receive information from the Compliance Unit concerning any significant matters relating to the effectiveness of the Company’s Compliance System...To have the Compliance Unit review the internal policies and procedures of the Company...To review and validate the annual budget of the Compliance Unit, prior to its submission to the Board of Directors...To, each year, issue an opinion on the Compliance Unit’s compliance with its annual activities plan and its performance and submitted it to the Board of Directors...To approve the annual activity plan for the Compliance Unit...To review the status of the Company’s compliance with law, regulations and internal procedures...”

On 25 January 2024 the Company’s Business Compliance Officer presented an update to the Committee on the Compliance Unit activities. At that meeting, the Company’s Business Compliance Officer presented the Compliance Unit 2024 Annual Budget. The Committee proposed the budget for approval by the Board. The annual budget includes the required level of resources to deliver the annual plan, as determined by the Chief Compliance Officer and the Business Compliance Officer.

On 25 January 2024 the Committee reviewed and approved the Business Compliance Officer’s 2023 performance and the Business Compliance Officer’s proposed 2024 objectives prior to submission to the Board of Directors for approval.

On 19 March 2024, the Business Compliance Officer presented the Compliance System Effectiveness Report. On 25 January, 19 March, 19 June, 19 September and 21 November 2024, the Business Compliance Officer presented an update to the Committee on the Compliance Unit activities.

4.7. Irregular and Improper Financial Conduct

The Terms of Reference* indicates that the role of the Committee is “ To have direct access...to complaints or reports submitted through the Internal Reporting Channels, as defined and developed in the Regulations of the Compliance Unit of the Company, that might have a material impact on the financial statements or internal controls thereof, and, if it so deems necessary, to propose appropriate actions to mitigate or reduce the risk of future occurrences thereof.”

On 25 January, 19 March, 19 June, 19 September and 21 November 2024, the Business Compliance Officer presented an update to the Committee on the Compliance Unit activities.

On 21 November 2024, the Committee noted the report of the Company’s 2024 Legal Claims and Regulatory Investigations. The aim of this report is to provide the Committee with an update on the status of major legal claims and regulatory investigations and potential legal risks affecting the Company.

4.8. Special Purpose Vehicles and Tax Haven Companies

The Terms of Reference* indicates that the role of the Committee is “To inform the Board of Directors, prior to adoption of any decision on the creation or acquisition of holdings in special purpose vehicles as subsidiaries (direct or indirect) of the Company or in entities domiciled in countries or territories which are considered tax havens...”

On 19 June and 19 September 2024, the Committee Secretary provided a report for the Committee in relation to special purpose vehicles or entities domiciled in tax havens within the Company’s group of companies.

4.9. Business Separation of Activities Compliance

The Terms of Reference* indicate that the role of the Committee is “To consider on an annual basis the Business Separation Compliance Officer Report on Business Separation, submitted to the Committee to provide an update on compliance with the separation of activities focusing on the effectiveness of the practices, procedures, and systems adopted in accordance with applicable regulatory requirements of the Company and its subsidiaries. To overview any regulated

activities business separation report of the Company and its subsidiaries. To inform to the Board of Directors in advance of any changes to the business separation regulatory requirements applicable to the Company and its subsidiaries”.

The Distribution and Transmission licence conditions include a number of requirements relating to separation between electricity network businesses and competitive energy activities. They also require the appointment of a Compliance Officer with specific tasks and duties including the preparation and submission of an Annual Report to the Licensee.

On 19 June 2024, the Company’s Business Separation Compliance Officer provided a draft Business Separation Report to the Committee describing the measures taken by SPT, SPD and SPM to meet their respective business separation requirements. The Committee noted the terms of the draft report.

On 21 November 2024, the Company’s Business Separation Compliance Officer provided the Business Separation Compliance Officer Update to the Committee.

4.10. Tax Compliance

The Terms of Reference* indicate that the role of the Committee is “To produce, for the Board of Directors, reporting on the level of compliance with the *Iberdrola Corporate Tax Policy* (as adopted by the Company) and the tax criteria used throughout the relevant financial year and after the submission of tax returns”.

On 25 January 2024, the UK Group Tax Director presented a report on the Degree of Compliance with the Corporate Tax Policy which was approved by the Committee.

On 19 September 2024, the Tax Reporting Manager presented the 2024 Tax Strategy.

*updated Terms of Reference for the Committee were approved by the Company’s Board on 19 September 2024. References in this section of the Committee’s report are therefore to the Terms of Reference which applied until 19 September 2024 and under which the majority of the meetings of the Committee in 2024 were conducted.

5. 2025 Outlook

At its meeting on 25 January 2025 the Committee will consider a proposed Calendar of Sessions for 2025. This will ensure that the Committee fulfils its duties and responsibilities as defined in Article 3 of the Terms of Reference. Subject to approval by the Committee, the proposed activities to be covered in the sessions of 2025 are set out in the table below:

Audit Committee Function	Proposed Activities
Internal Audit	<ul style="list-style-type: none"> ➤ Presentations by the Director of Internal Audit and Risk: <ul style="list-style-type: none"> ○ 2024 Internal Audit Annual Activity Report ○ 2025 Internal Audit and Risk Department Budget ○ Monitoring of 2025 Internal Audit Activities ○ 2026 Internal Audit Plan
Internal Monitoring and Risk Management Systems	<ul style="list-style-type: none"> ➤ Presentations by the UK Risk Director: <ul style="list-style-type: none"> ○ Risk Monitoring and Management Update ○ Key Risk Report
External Audit	<ul style="list-style-type: none"> ➤ Presentations by the External Auditor: <ul style="list-style-type: none"> ○ External Audit Updates on Statutory Accounts ➤ Presentation by the Director of Internal Audit and Risk: <ul style="list-style-type: none"> ○ Terms of Engagement for the 2025 statutory audit ○ Independence Report for the 2025 statutory audit ○ Non-Audit Services
Financial Information	<ul style="list-style-type: none"> ➤ Presentations by the Company's Finance Director: <ul style="list-style-type: none"> ○ Quarterly Business Performance ○ Closing Forecast 2025 ➤ Presentations by the Director of Internal Audit and Risk: <ul style="list-style-type: none"> ○ Quarterly Financial Reviews
Compliance and Good Governance	<ul style="list-style-type: none"> ➤ Presentations by the Business Compliance Officer: <ul style="list-style-type: none"> ○ Monitoring of 2025 Compliance Unit Activities ○ 2025 Annual Activity Plan and Budget ➤ Presentation by the UK Tax Director <ul style="list-style-type: none"> ○ Compliance with Corporate Tax Policy
Irregular and Improper Financial Conduct	<ul style="list-style-type: none"> ➤ Presentations by the Company's Legal Director <ul style="list-style-type: none"> ○ Legal Claims and Regulatory Investigations

Special Purpose Vehicles and Tax Haven Companies	➤ Presentations by the Committee Secretary <ul style="list-style-type: none">○ Special Purpose Vehicles and Tax Haven Companies Report
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Business Separation of Activities Compliance	➤ Presentations by the Business Separation Compliance Officer <ul style="list-style-type: none">○ Compliance Officer Report – Business Separation
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Other potential areas which may require committee attention (depending on activities in 2025) are:

- Creation of Special Purpose Vehicles (SPV) or companies domiciled in Tax Havens; and
- Consultancy Engagements with the external auditor.

6. Conclusions

By completing the following activities during 2024 the Committee ensured they continued to fulfil their formal duties:

- **Internal Audit:** Continuous monitoring of Internal Audit activities, approval of the 2025 Internal Audit Annual Action Plan.
- **Internal Monitoring and Risk Management Systems:** Reviewing risk reporting, noting that risk limits and indicators did not report major risk issues and that the risks identified through the key risk reporting process are the major risks faced by the business.
- **Audited Accounts:** Proposal of the terms of engagement and monitoring the independence of the external auditor in respect of the Company's statutory accounts.
- **Economic and Financial Information:** Monitoring of financial and economic information, including changes in accounting policies and practices.
- **Compliance, Good Governance and Prevention and Correction of Fraudulent and Illegal Behaviours:** Continuous monitoring of Compliance Unit activities (including Business Separation).
- **Irregular and Improper Financial Conduct:** Monitoring claims against the Company.
- **Special Purpose Vehicles and Tax Haven Companies:** Ensuring that no issues arose under the Special Purpose Entities Procedure prior to the adoption of any decision on the creation of acquisition of holdings in special purpose vehicles as subsidiaries of the Company.