



2023 Annual Activity Report

Scottish Power Energy Network Holdings Limited

Audit & Compliance Committee

25 January 2024

Confidential

Background

Report for the year 2023 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
Alison McGregor	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 2023 to the composition of the Committee: (i) Suzanne Fox ceased to be an external non-executive member on 31 January 2023 following her resignation after the expiry of her term; and (ii) Rt Hon Charles Hendry was appointed as an external non-executive member on 31 January 2023.

In 2023, 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 4 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 2023 are set out below:

Date	Place where the meeting was held
08 February 2023	Glasgow
30 March 2023	Glasgow
21 June 2023	Glasgow
21 September 2023	Glasgow
23 November 2023	Glasgow

The level of attendance of each of the members of the Committee at the meetings held during 2023 is set forth below:

Member	Meetings attended
Alison McGregor	Attended all meetings
Rt Hon Charles Hendry	Attended four meetings and validly delegated his representation and voting rights to Ms McGregor for the meeting of the Committee held on 8 February 2023, as permitted under Article 13.2 of the Committee’s Terms of Reference
Mónica Grau Domene	Attended all meetings

3. Audit and Compliance Committee Meetings 2023

3.1. Committee Highlights

2023

Number of meetings	5
Number of written resolutions	4
Reports, Proposals and Updates to the Company's Board of Directors	27
Presentations from Senior Management	45
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. 2023 Calendar of Sessions	08 February 2023
2. SPEN ACC Report – 2022 Year End Financial Information	
3. SPEN ACC Report – Compliance with Corporate Tax Policy	
4. 2023 Internal Audit Budget	
5. 2022 Head of Internal Audit Performance / 2023 Objectives	
6. SPEN ACC Report – External Auditor Independence (2023 Statutory Accounts)	
7. 2023 Compliance Division Budget and Annual Activity Plan	
8. 2022 Business Compliance Officer Performance / 2023 Objectives	
9. SPEN ACC Report – 2022 Related Parties Transactions	
10. 2023 Risk Department Objectives, Budget and Annual Activity Plan	
11. SPEN ACC Risk Report – Enterprise Risk Management	
12. SPEN ACC Report on SPEN's Q1 2023 Financial Information	30 March 2023

21 June 2023

13. SPEN ACC Report on SPEN's H1 2023 Financial Information
14. Draft Directors' and External Auditor's Reports
15. SPEN ACC Risk Report – Enterprise Risk Management
16. 2022 Non-Financial Information Report
17. SPEN ACC Report on SPEN's 2022/23 Regulatory Submissions
18. 2023 CEO Objectives
19. SPEN ACC Report – Special Purpose Vehicles or entities domiciled in tax havens
20. SPEN ACC Report – Proposed Director Appointments for EGLI Limited

21. SPEN ACC Report on SPEN's 2023 Q3 Financial Information	21 September 2023
22. SPEN ACC Report on Intercompany Contracts	
23. 2023 Tax Strategy	
24. SPEN ACC Report – Non-Audit Services	
25. 2024 Internal Audit Plan	23 November 2023
26. Data Protection Officer Update	
27. Compliance Unit Update	

3.1.2. Senior Management Presentations

Date	Senior Manager	Presentation
08 February 2023	Finance Director	2022 Year End Financial Performance Review
	UK Group Tax Director	Report on Compliance with Corporate Tax Policy
	Director of Internal Audit	Internal Audit Report on Year End Financial Information & Certification Process 2022 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)	2022 Cyber Security Update and 2023 Cyber Security Plan
30 March 2023	Finance Director	Q1 2023 Financial Performance Review
	Director of Internal Audit	Internal Audit Report on Q1 2023 Financial Information Internal Audit Activities Update SPEN Assurance Map

	Processes and Technology Director	ESG Update
	UK Risk Director	SPEN Risk Report
	SPEN HR Director	Resourcing Plan Update
	Business Compliance Officer	Compliance Update Business Separation Update
21 June 2023	Finance Director	2023 to date Financial Performance Review Accounts completion for Licensed Companies
	Director of Internal Audit	Internal Audit Report on H1 2023 Financial Information External Auditor's Independence Letter Internal Audit Activities Update
	UK Risk Director	SPEN Risk Report
	Processes and Technology Director and ScottishPower CISO	2023 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 Business Separation Report Network Planning and Regulation Report on SPEN's 2022/23 Regulatory Submissions
	Business Compliance Officer	2023 Compliance Report and Activity Plan Update
21 September 2023	Finance Director	2023 Q3 Financial Performance Review
	Director of Internal Audit and Head of Internal Audit	Internal Audit Report on 2023 Q3 Financial Information

		2023 Internal Audit Activities Update
	Processes and Technology Director	Cyber Security Update Sustainable Development Update
	Business Compliance Officer	Compliance Division Report Compliance Unit Updates
	UK Risk Director	SPEN Risk Report
23 November 2023	Finance Director	October 2023 Financial Performance Review
	Director of Internal Audit and Head of Internal Audit	2023 Internal Audit Activities Update
	UK Risk Director	SPEN Risk Report
	Business Compliance Officer	2023 Compliance Update
	Company Secretary and Legal Director	Legal Claims and Regulatory Investigations

3.1.3. External Auditor Presentations

Subject	Date
External Audit Update on 2022 Year End	08 February 2023
External Audit Update on Statutory Accounts	21 June 2023
External Audit Plan and Strategy	23 November 2023

3.2. Meeting agendas

In 2023, the Committee held five meetings. The following tables show the business transacted at each of these meetings:

Session 1 – 08 February 2023

Legal Update

- 2023 Calendar of Sessions
- PWC Audit of Governance & Sustainability System – Results & Findings

Financial Information Review

- External Audit Update
- 2022 Year End Financial Performance Review
- Internal Audit Report on Year End Financial Information & Certification Process
- SPEN ACC Report – 2022 Year End Financial Information
- Report on Compliance with Corporate Tax Policy
- SPEN ACC Report – Compliance with Corporate Tax Policy

Internal Audit Update

- 2023 Internal Audit Budget
- 2022 Internal Audit Annual Activity Report
- 2022 Head of Internal Audit Performance / 2023 Objectives
- Internal Audit Activities Update
- SPEN ACC Report – External Auditor Independence (2023 Statutory Accounts)

Compliance Division Update

- 2023 Compliance Division Budget and Annual Activity Plan
- 2022 Business Compliance Officer Performance / 2023 Objectives
- SPEN ACC Report – 2022 Related Parties Transactions
- 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

- 2022 Cyber Security update and 2023 Cyber Security Plan

Session 2 – 30 March 2023

Financial Information Review

- Q1 2023 Financial Performance Review
- Internal Audit Report on Q1 2023 Financial Information
- SPEN ACC Report - Q1 2023 Financial Information

Internal Audit Update

- Internal Audit Activities Update
- SPEN Assurance Map

ESG Update

Risk Department Update

- Key Risk Report
- Resourcing Plan Update

Compliance Division Update

- Compliance Update

Directors' Education Programme

- Business Separation Update

Session 3 – 21 June 2023

Financial Information Review

- External Audit Update on Statutory Accounts
- 2023 to date Financial Performance Review
- Internal Audit Report on H1 2023 Financial Information & Certification
- SPEN ACC Report on SPEN's H1 2023 Financial Information

2022 Licensed Companies' Accounts

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

Internal Audit Update

- 2023 Internal Audit Activities Update

Risk Update

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

2022 Non-Financial Information Report

2023 Regulatory Submissions

- Draft Certification of Availability of Resources
- Draft Certificate of Compliance
- Draft Intervention Plan
- Draft Certification of Unbundling
- Draft Ultimate Controller Undertaking
- Draft Business Separation Report
- Network Planning and Regulation Report on SPEN's 2022/23 Regulatory Submissions
- SPEN ACC Report on SPEN's 2022/23 Regulatory Submissions

Compliance Division Update

- 2023 Compliance Report and Activity Plan Update

2023 CEO Objectives

Special Purpose Entities and Tax Haven Companies

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

Committee Members' Education Programme

SPEN ACC Report – Proposed Director Appointments for EGLI Limited

Session 4 – 21 September 2023

Financial Information Review

- 2023 Q3 Financial Performance Review
- Internal Audit Report on 2023 Q3 Financial Information
- SPEN ACC Report on SPEN's 2023 Q3 Financial Information
- 2023 Tax Strategy
- SPEN ACC Report on Intercompany Contracts

Internal Audit Update

- 2023 Internal Audit Activities Update
- SPEN ACC Report – Non-Audit Services

Cyber Security Update

Sustainable Development Update

Risk Update

- SPEN Risk Report

Compliance Division Update

- Compliance Division Report
- Compliance Unit Updates

SPEN ACC Terms of Reference

Session 5 – 23 November 2023

Financial Information Review

- October 2023 Financial Performance Review
- External Audit Plan and Strategy

Internal Audit Update

- 2023 Internal Audit Activities Update
- 2024 Internal Audit Plan

Risk Update

- SPEN Risk Report

Data Protection Officer Update

Compliance Update

- 2023 Compliance Update
- Business Separation Compliance Officer Update

Legal Claims and Regulatory Investigations

Legal Update

- Compliance Unit Update
 - Commencement of the 2023 Corporate Governance Audit
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- 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 4 written resolutions during 2023 as follows:

- **19 January 2023:** appointment of Rt Hon. Charles Hendry as a Sufficiently Independent Director of SP Transmission plc, SP Distribution plc and SP Manweb plc;
- **28 January 2023:** noting the Committee's 2022 Annual Activity Report for submission to the Company's Board of Directors for approval;
- **21 April 2023:** the re-appointment of the Company's auditors in respect of the 2023 statutory audit, and the report from the Committee on the Terms of Engagement of the Company's auditors for the 2023 statutory audit; and
- **26 May 2023:** 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.

4. Main Activities

In 2023, 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 8 February 2023, summarising the main activities and achievements of the Internal Audit department in 2022.

On 8 February 2023, the Committee proposed the 2023 Internal Audit Annual Budget for approval by the Company’s Board.

On 8 February 2023 the Committee reviewed and approved the Director of Internal Audit’s 2022 performance and the Director of Internal Audit’s proposed 2023 objectives prior to submission to the Board of Directors for approval.

At every meeting in 2023 the Director of Internal Audit presented a report to the Committee to update on Internal Audit activities.

On 23 November 2023, the Committee approved the 2024 Internal Audit Annual Plan. The 2024 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 Division and, when applicable, Risk Department... To make, 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 8 February and 21 June 2023 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 2023.

On 26 May 2023, 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 presented the 2023 Cyber Security Plan Update to the Committee on 8 February and 21 June 2023, which was also presented to the Board. The Company’s Director of Processes and Technology also presented a Cyber Security Update to the Committee on 21 September 2023.

On 23 November 2023, 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 8 February 2023, 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 2022 Statutory Accounts. Representatives from the external auditor also appeared before the Committee on 21 June 2023 to present the External Audit Update on Statutory Accounts. Further, representatives from the external auditor presented to the Committee on 23 November 2023 on the External Audit Plan and Strategy for the year ending 31 December 2023.

On 8 February 2023, the Committee approved their report noting that: (i) the external auditor has confirmed their independence in the letter sent to the Directors of SP Distribution plc, SP Manweb plc and SP Transmission plc dated 4 November 2022; (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 2022 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 21 April 2023 the Committee approved the reappointment and conditions of the engagement of the external auditor (KPMG) for the 2023 statutory audit.

On 21 September 2023 the Committee considered and approved the non-audit services to be provided by the external auditor for the financial year to December 2023.

4.4. Economic and 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 economic and 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:

- Results to 31 December 2023 on 8 February 2023;
- Results to 31 March 2023 on 30 March 2023;
- Results to 30 June 2023 on 21 June 2023; and
- Results to 30 September 2023 on 21 September 2023.

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 2022 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 2023 consolidated annual accounts.

At the Committee meeting held on 8 February 2023, the Director of Internal Audit provided assurance on the processes relating to the preparation of the financial information for the 2022 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 2023, the Finance Director presented an update about the financial performance of the Company. In addition, at the Committee meeting held on 8 February 2023 the external auditors (KPMG) also presented an update on the December 2022 Statutory Accounts.

On 21 September 2023, the Committee noted the 2023 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 September 2023.

4.5. Sustainable Development

The Terms of Reference* indicate that the role of the Committee is to “supervise 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 21 September, 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 “receive and analyse any reports or findings issued by the Compliance Division in relation to any alleged irregularities or acts contrary to the law or the rules of the Governance and Sustainability System of the Company...To receive information from the Compliance Division in connection with any matter relating to regulatory compliance and the prevention and correction of illegal or fraudulent conduct....To receive information from the Compliance Division on any matter related to the effectiveness of the Company’s compliance system...To review...the internal policies and procedures of the Company to verify the effectiveness thereof...To propose the annual operating budget of the Compliance Division, for submission to the Board of Directors...To evaluate the functioning of the Compliance Division and the performance of the Company’s Business Compliance Officer...To approve the annual activity plan for the Compliance Division...To review the status of the Company’s compliance with law, regulations and internal procedures...”

On 8 February 2023 the Company’s Business Compliance Officer presented an update to the Committee on the Compliance Division activities. At that meeting, the Company’s Business Compliance Officer presented the Compliance Division 2023 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 8 February the Committee reviewed and approved the Business Compliance Officer’s 2022 performance and the Business Compliance Officer’s proposed 2023 objectives prior to submission to the Board of Directors for approval.

On 8 February, 30 March, 21 June, 21 September and 23 November 2023, the Business Compliance Officer presented an update to the Committee on the Compliance Division activities.

4.7. Irregular and Improper Financial Conduct

The Terms of Reference* indicates that the role of the Committee is “To supervise, in coordination with the mechanisms established by Iberdrola, the channels which permit employees of the Company to communicate, confidentially and, if it is deemed appropriate, anonymously, any potentially significant irregularities, especially those which are financial or accounting in nature which they may have witnessed at the Company...To undertake the necessary investigations regarding claims by third parties against the Company or regarding irregular or anomalous conduct.”

On 23 November 2023, the Committee noted the report of the Company’s 2023 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 21 June 2023, 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 (“**SPENH Group**”). The report confirmed that there are no special purpose vehicles or entities domiciled in countries or territories which are considered tax havens within the SPENH Group.

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 21 June 2023, the Company’s Business Separation Compliance Officer provided a draft Business Separation Report to the Committee describing the measures taken by SP Transmission plc, SP Distribution plc and SP Manweb plc to meet their respective business separation requirements. The Committee noted the terms of the draft report.

On 23 November 2023, 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 8 February 2023, 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 21 September 2023, the Tax Reporting Manager presented the 2023 Tax Strategy.

*updated Terms of Reference for the Committee were approved by the Company’s Board on 21 September 2023. References in this section of the Committee’s report are therefore to the Terms of Reference which applied until 21 September 2023 and under which the majority of the meetings of the Committee in 2023 were conducted.

5. 2024 Outlook

At its meeting on 25 January 2024 the Committee will consider a proposed Calendar of Sessions for 2024. 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 2024 are set out in the table below:

Audit Committee Function	Proposed Activities
Internal Audit	<ul style="list-style-type: none"> ➤ Presentations by the Head of Internal Audit: <ul style="list-style-type: none"> ○ 2023 Internal Audit Annual Activity Report ○ 2024 Internal Audit Budget ○ Monitoring of 2024 Internal Audit Activities ○ 2025 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 Review
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 Head of Internal Audit: <ul style="list-style-type: none"> ○ Terms of Engagement for the 2024 statutory audit ○ Independence Report for the 2023 statutory audit ○ Non-Audit Services
Economic and Financial Information	<ul style="list-style-type: none"> ➤ Presentations by the Company’s Control Director: <ul style="list-style-type: none"> ○ Quarterly Business Performance ○ Closing Forecast 2024 ➤ Presentations by the Head of Internal Audit: <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 2024 Compliance Unit Activities ○ 2024 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

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| Special Purpose Vehicles and Tax Haven Companies | <ul style="list-style-type: none">➤ 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 | <ul style="list-style-type: none">➤ 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 2023) are:

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

6. Conclusions

- **Internal Audit:** Continuous monitoring of Internal Audit activities, approval of the 2024 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 Division activities (including Business Separation).
- **Irregular and Improper Financial Conduct:** Monitoring claims against the Company.
- **Special Purpose Vehicles and Tax Haven Companies:** Ensuring that no Special Purpose Entities (Tax Havens) have been created.