

# **Terms of Reference of the Scottish Power Limited Audit and Compliance Committee**

**Approved by the Scottish Power Limited Board on 7 October 2020**

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## **CHAPTER I.- NATURE, PURPOSE AND APPROVAL OF THE TERMS OF REFERENCE**

### **Article 1.- Nature and Purpose**

1. In accordance with the provisions of the Articles of Association of Scottish Power Limited (the “**Company**”), the board of directors of the Company (the “**Board of Directors**”, a director thereof being a “**Director**”) have established the Audit and Compliance Committee (the “**Committee**”), a permanent internal body, having an informative and consultative role, without executive functions, with powers of information, assessment and presentation of proposals to the Board of Directors within its scope of action, which shall be governed by the Articles of Association of the Company and these Terms of Reference of the Committee (the “**Terms of Reference**”).
2. These Terms of Reference are based on the independence of the Committee and aim to develop its functions by establishing the principles of action and the internal operational regime of the Committee.
3. At the same time, taking into consideration the fact that the indirect sole shareholder of the Company, Iberdrola, S.A. (“**Iberdrola**”), is the listed holding company and controlling entity of the Iberdrola group, pursuant to Spanish law, to which the Company belongs (the “**Iberdrola Group**”), these Terms of Reference also aim to establish, as the Company is a sub-holding company of the Iberdrola Group, the framework of relationships and information exchange that is to exist between the Committee, the internal audit and compliance departments of the Company, the corresponding committees and divisions or units of Iberdrola (the Audit and Supervisory Committee and the Sustainable Development Committee) and, as the case may be, the corresponding committees and divisions or units of the head of business sub-holding companies of the ScottishPower Group (being, for the purposes of these Terms of Reference, the group whose controlling entity, within the meaning established by law, is the Company), with the purpose of, without compromising its independence, enabling the proper exercise of its functions in accordance with the law and internal corporate governance rules, safekeeping in all cases compliance with the regulations applicable to each company.

### **Article 2.- Approval, Amendment and Priority**

1. These Terms of Reference or any amendment of the same must be approved by way of a resolution of the Board of Directors of the Company, on the proposal of the chair of the Board of Directors or the Chair of the Committee.
2. These Terms of Reference further develop and supplement the provisions of the Articles of Association of the Company and the terms of reference of the Board of Directors applicable to the Committee. In the event of any conflict, the provisions of the terms of reference of the Board of Directors shall prevail over these Terms of Reference, and in any case the Articles of Association of the Company shall prevail over the provisions of both.

## **CHAPTER II.- FUNCTIONS OF THE COMMITTEE**

### **Article 3.- Functions**

1. The Committee, as well as (in their relationships with the Committee) the ScottishPower internal audit department (the “**Internal Audit Department**”), the ScottishPower compliance division (the “**Compliance Division**”) and the ScottishPower unit or department responsible for risk management (the “**Risk Department**”), shall exercise their functions with full autonomy, but without prejudice to the provisions of article 4 below and the establishment of

an adequate framework for collaborating with and exchanging information regarding the development of their functions with the audit committees that may exist in any companies of the ScottishPower Group, as well as with the Audit and Risk Supervision Committee of Iberdrola (the “**Iberdrola Audit and Risk Supervision Committee**”), with the Sustainable Development Committee of Iberdrola, and, in the case of the Internal Audit Department and Compliance Division, with the internal auditing department of the Iberdrola Group (the “**Iberdrola Internal Audit Department**”) and with the Compliance Unit of the Iberdrola Group respectively.

2. The Committee shall have the following functions:

a) **Internal Audit:**

- (i) To oversee the independence and efficiency of the Internal Audit Department, ensuring that such department has sufficient resources and the professional qualifications necessary to carry out its functions optimally, and ensuring that the *Basic Internal Auditing Regulations of the Iberdrola Group* as adopted by the Company (which ensures the required coordination and exchange of information for the proper compliance with the respective functions in accordance with the regulations applicable at any given time), are complied with.
- (ii) To approve the guidelines and the annual action plans established by the head of the Internal Audit Department, in accordance with the guidelines and general plans established by the head of the Iberdrola Internal Audit Department, ensuring that it performs its functions proactively and in such a way that its activity is focused on the Company’s relevant risks and its subsidiaries as well as receiving information periodically from the Internal Audit Department.
- (iii) To propose the budget of the Internal Audit Department, for its approval by the Board of Directors.
- (iv) To prepare a report on the same for submission to the Board of Directors following a proposal from the chair of the Board of Directors regarding the appointment, re-election or removal of the head of the Internal Audit Department.
- (v) To oversee the head of the Internal Audit Department and evaluate the functioning of the Internal Audit Department and the head of the Internal Audit Department’s performance. The Committee shall validate annually the objectives of the head of the Internal Audit Department prior to its submission to the Board of Directors.

The evaluation shall be constructive and shall include an assessment of the degree of compliance with the objectives and criteria established for the purpose of setting the variable components of the remuneration of the head of the Internal Audit Department, in which determination the Committee must also participate.

The conclusions of the evaluation carried out by the Committee shall be submitted to the Board of Directors to be taken into consideration when determining the remuneration. The head of the Internal Audit Department shall also be informed of such conclusions.

- (vi) To receive regular information on the activities carried out by the Internal Audit Department, including as directed by the Chair of the Committee and also as requested by the chair of the Board of Directors. The head of the Internal Audit Department will prepare the information required for the meetings of the Committee

that he/she will attend. The head of the Internal Audit Department is, furthermore, required to inform the Committee of any material unforeseen incidents which may occur in the annual work plan, presenting any such incidents at the end of each year in an annual activity report. Such annual activity report will also be presented to the head of the Iberdrola Internal Audit Department. In order to ensure that the guidelines and general plans established by Iberdrola are followed, the Internal Audit Department (through the head of the department) shall also maintain the necessary flow of information between himself/herself and the head of the Iberdrola Internal Audit Department.

- (vii) To ensure that the managers of the Company take into account the conclusions and recommendations in the reports of the Internal Audit Department. The head of the Internal Audit Department shall be the usual point of contact between the Committee and the rest of the Company except for risk or compliance matters. The Committee may gather information and request the collaboration of any manager of the Company or of any of the Company's subsidiaries. Any such gathering of information and/or requests for collaboration shall also be notified to the chair of the Board of Directors and to the Chief Executive Officer, if there is one, but in any case without prejudice to the provisions of Article 15 below.

b) **Internal Monitoring and Risk Management Systems:**

- (i) To be aware of and keep under review the Company's internal financial information process and internal risk monitoring and management systems and those of any of the Company's subsidiaries, ensuring that these are adequately adapted to the processes and general systems established by Iberdrola.
- (ii) To ensure, in accordance with the general monitoring and risk management policy established by Iberdrola, that the main risks of the Company and those of any of the Company's subsidiaries are identified, managed and adequately reported, identifying, on this basis, at least the different types of risks (e.g, operational, technological, financial, legal, climatic, social, reputational, etc.), including potential risks, which the Company and its subsidiaries may face, including financial or economic contingent liabilities and other off balance-sheet risks; the setting and reviewing of risks map and the level of risk that the Company deems acceptable; the measures necessary to mitigate the impact of any risks, should any of them materialise; and the information and internal monitoring systems which will be used to monitor and manage the aforementioned risks, including the contingent liabilities or off balance-sheet risks, periodically evaluating the effectiveness of the foregoing.
- (iii) To analyse, along with the auditors, the relevant weaknesses of the internal control system that may have been detected in the course of the audit of the Company, all without infringing the independence of any party. To this end, where appropriate, the Committee may submit recommendations or proposals to the Board of Directors and corresponding deadlines for their monitoring.
- (iv) To oversee the performance of and maintain appropriate relationships with the Risk Department and Compliance Division. The Risk Department and Compliance Division shall be the normal bodies for communication with the Committee and any other part of the Company on specific matters of risk and compliance respectively, as the Committee is responsible for preparing the information required on these issues at Committee meetings, with the director of the Risk Department and the director of the

Compliance Division attending them if the Committee so deems appropriate, but in any case without prejudice to the provisions of Article 15 below.

- (v) To promote, always within its responsibilities, a strategy in which risk is a key factor to be taken into account in all decisions and at all levels within the Company.
- (vi) 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, which the Chair of the Committee, in the framework of the information and coordination relationships of the Iberdrola Group, will make available to the chair of the Iberdrola Audit and Risk Supervision Committee, in accordance with the *General Framework of Relations of Coordination and Information Among the Audit Committees of Iberdrola and its Group* ("**General Framework**"), in order to allow that committee to fulfill its duties relating to the internal control of the Iberdrola Group as well as its risk management systems.
- (vii) To inform the Board of Directors on the main litigation matters relating to the Company and its subsidiaries, in order to identify the direct or indirect risks and contingent liabilities arising from existing claims and procedures.

c) **Audited Accounts:**

- (i) 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, acting for these purposes in the interest of the Company, and as adopted by the Company. The Chair of the Committee shall make such proposal available to the chair of the Iberdrola Audit and Risk Supervision Committee in accordance with the General Framework.

For the avoidance of doubt, the Company's auditors referred to in these Terms of Reference are the auditors which have been formally appointed in accordance with the relevant applicable law.

- (ii) 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, for examination by the Committee, as well as to ensure that there are no grounds that would prohibit the auditors from acting.
- (iii) 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, and establishing in such cases information channels between the Internal Audit Department and the Iberdrola Internal Audit Department, and the Committee shall keep the Board of Directors updated accordingly.

In any event, it shall receive from the Company's auditors, on an annual basis, a written confirmation of their independence in respect of the Company or entities directly or indirectly related thereto, as well as itemised and detailed information regarding additional services of any kind provided to the Company and such entities by the said auditors or by persons or entities related thereto, pursuant to the legislation governing the audit of financial statements.

- (iv) 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 (including whether or not their independence is

compromised). This report shall take into account any additional services referred to in Article 3.2(c)(iii) above, considered individually and as a whole, and also taking into account the applicable requirements as to the independence of the auditors concerning the statutory audit. The Chair of the Committee shall make this report available to the chair of the Iberdrola Audit and Risk Supervision Committee in accordance with the General Framework.

- (v) To receive information about any kind of additional services other than the audit services that the auditors may provide to the Company or to its subsidiaries. The Committee shall prepare a report for the Board of Directors and shall make it available for the chair of the Iberdrola Audit and Risk Supervision Committee for the purposes thereof.
- (vi) To review the contents of the auditors' reports before they are issued, in order to avoid qualifications in their preparation and assess the results of each audit, overseeing the reply of the management of the Company to their recommendations.
- (vii) To serve as a communication channel between the Board of Directors and the auditors, relaying to the Board of Directors regular information updates on the audit process and results received from the auditors.

d) **Economic and Financial Information:**

- (i) To oversee the preparation and presentation process and the clarity and accuracy of the economic and financial information related to the Company and its subsidiaries, and the Committee shall receive for that purpose relevant information from the Company's subsidiaries (as required) and the audit committees that may exist in the head of business sub-holding companies of the ScottishPower Group. The Committee shall ensure that the interim financial information submitted to the Board of Directors is prepared according to the same accounting standards as the annual financial reports.
- (ii) 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 and the ScottishPower Group and submit proposals or recommendations to the Board of Directors, aiming to safeguard the integrity of its application. Such monitoring function of the Committee shall be carried out on an ongoing basis and subject to any specific request or direction of the Board of Directors.
- (iii) To elaborate a report for the Board of Directors on the annual, half-year and quarterly financial statements. The Chair of the Committee will make these reports available to the chair of the Iberdrola Audit and Risk Supervision Committee in accordance with the General Framework in order to allow that committee to supervise the process of preparation and submission and ensuring the integrity of the economic and financial information related to the ScottishPower Group in the United Kingdom.

A report on the financial information for consolidation purposes shall be prepared by the Committee and submitted to the Board of Directors.

- (iv) To gather information on any adjustments to financial statements identified by the auditor or resulting from the reviews carried out by the Internal Audit Department, and the Company's position on such adjustments.

- (v) To oversee compliance with the legal requirements and the correct application of the national and international accounting and financial information principles and practices which may be applicable in relation to the Annual Report and Accounts and the Director's Report of the Company.
  - (vi) To inform the Board of Directors of the principles on which any transactions have been carried out between the Company and any of the other companies forming part of the Iberdrola Group and any of the Company's subsidiaries.
- e) **Non-Financial Information:**
- (i) To supervise the preparation and presentation process and the clarity and integrity of the non-financial information of the Company and its subsidiaries in so far as such non-financial information is required.
- f) **Compliance, Good Governance and Prevention and Correction of Fraudulent and Illegal Behaviours:**
- (i) 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 corporate governance system of the Company that may affect members of the Board of Directors and propose any measure deemed appropriate and necessary (including their removal), in accordance with the conclusions reached in the Compliance Division's investigation, and subject to the rules, powers and responsibilities of the Compliance Division pursuant to the corporate governance system of the Company, and in accordance with any legal requirement.
  - (ii) 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.
  - (iii) To receive information from the Compliance Division on any matter related to the effectiveness of the Company's compliance system, including a regular report from the director of the Compliance Division. The Committee shall then keep the Board of Directors updated on the conclusions of such report regarding the effectiveness of the compliance system of the Company.
  - (iv) To review, through the Compliance Division, the internal policies and procedures of the Company to verify the effectiveness thereof to prevent inappropriate conduct and identify any policies or procedures that might be more effective at promoting the highest ethical standards, for submission to the Board of Directors. The Board of Directors shall be made aware of any amendments to the regulations of the Compliance Division as they apply from time to time.
  - (v) To review and ratify the annual operating budget of the Compliance Division, for submission to the Board of Directors, and ensure that the Compliance Division has the necessary human and material resources available to it to perform its duties, while also ensuring its independence and effectiveness.
  - (vi) To evaluate the functioning of the Compliance Division and the performance of its director. Each year the Committee shall evaluate and endorse the objectives of the Compliance Division prior to their submission to the Board of Directors.



The conclusions of the evaluation carried out by the Committee shall be made known to the Board of Directors to be taken into account when determining the director's remuneration. The director shall also be informed of the same.

- (vii) To approve the annual activity plan for the Compliance Division.
- (viii) To report the proposals of the appointments for the director of the Compliance Division.
- (ix) To review the status of the Company's compliance with laws, regulations and internal procedures and the scope and status of systems designed to promote the Company's compliance with laws, regulations and internal procedures, through review of reports from management, legal counsel and third parties as determined by the Committee.

**(f) Irregular and Improper Financial Conduct:**

- (i) 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. In doing so, the Committee shall respect applicable regulations regarding the protection of personal information and the fundamental rights of the parties involved.
- (ii) To undertake the necessary investigations regarding claims by third parties against the Company or regarding irregular or anomalous conduct, in accordance with the provisions of Article 3.2(f)(i) above.

**(g) Special Purpose Vehicles and Tax Haven Companies:**

- (i) 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, and of other transactions similar in nature that, because of their complexity, could undermine the transparency of the activity of the Company's group in the United Kingdom, and produce for the Board of Directors a report on any such proposals. The Chair of the Committee shall make this report available to the chair of the Iberdrola Audit and Risk Supervision Committee in accordance with the General Framework.
- (ii) To produce annually, for the Board of Directors, a report on the monitoring of special purpose vehicles as subsidiaries (direct or indirect) of the Company or in entities domiciled in countries or territories which are considered tax havens and, when applicable, about their operational status. The Chair of the Committee shall make this available to the chair of the Iberdrola Audit and Risk Supervision Committee in accordance with the General Framework.

**h) Business Separation of Activities Compliance:**

- (i) To give its opinion and note on an annual basis the Compliance Director Report on Business Separation, submitted to the Committee by the Compliance Director 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.

- (ii) To overview any regulated activities business separation report of the Company and its subsidiaries.
  - (iii) 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.
  - (iv) To consider the suitability and inform to the Board of Directors in advance about all proposed directors appointments and removals to all regulated business subsidiaries of the Company in order to protect the effective management independence of the regulated companies.
- i) **Tax Compliance:**
- (i) To produce, for the Board of Directors, a report(s) 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. The Chair of the Committee shall make this available to the chair of the Iberdrola Audit and Risk Supervision Committee in accordance with the General Framework.
3. The Committee shall similarly assume any other functions which, as the case may be, the Articles of Association of the Company or the Board of Directors attribute to it.

**Article 4.- Scope of Functions. Information to the Board of Directors**

1. The functions indicated in the above Article shall extend to the Company and any and all of the Company's subsidiaries with the exception of those functions carried out by the Scottish Power Energy Networks Holdings Limited ("**SPEN**") Audit and Compliance Committee for SPEN and SPEN's subsidiaries.
2. At the first meeting of the Board of Directors subsequent to any meeting(s) of the Committee the Chair shall inform the Board of Directors of the resolutions and significant events which occurred at the meeting(s) of the Committee.

**Article 5.- Annual Report**

1. The Committee shall, within three months of the end of the year, submit to the Board of Directors for its approval an annual report of its activities, which shall include an evaluation of the adequacy of the Committee's Terms of Reference and an evaluation of the Committee's performance during the previous year. This annual report shall subsequently be made available to Iberdrola and to the chair of the Iberdrola Audit and Risk Supervision Committee in accordance with the General Framework.

**Article 6 – Relationship with the Audit Committee(s) of Iberdrola and any UK Subsidiary**

1. The relationship between the Committee and the Iberdrola Audit and Risk Supervision Committee as well as the audit committees that the subsidiaries of the Company may have constituted shall be regulated according to the General Framework in order to ensure the coordination and exchange of information required for the proper accomplishment of their respective functions, respecting the corporate autonomy of all the companies within the Iberdrola Group.

Without limitation to the foregoing, in order to successfully perform the functions assigned to the Committee by these Terms of Reference and subject to its scope, the Board of Directors, at the proposal of the Committee, shall establish a general framework for coordinating actions and sharing information between the audit and compliance committees that may exist in the

ScottishPower Group. Such a general framework shall be in accordance with applicable legislation and regulations on the separation of regulated activities.

2. The coordination of the relationship must be channelled through the chairs of the audit and compliance committees of the Company and of the subsidiary in question and their purpose shall be to inform the Committee of any matters dealt with by the subsidiaries that might have a significant impact at ScottishPower Group level.
3. The audit committees established by subsidiaries of the Company shall have their own regulations. Such regulations shall be subject to the provisions of the corporate governance system of the Company (including its provisions on the coordination and information principles that govern relations between the audit committees of Iberdrola Group companies). Such regulations should be consistent with the material content and principles of other audit committees of ScottishPower Group companies, subject to any adaptations that may be required by the circumstances and particularities of each company, such adaptations to be agreed and evidenced in writing and subscribed on behalf of the respective chairs of those committees.
4. In order to perform the responsibilities assigned to the Committee within these Terms of Reference regarding the Internal Audit Department, the head of the Internal Audit Department shall establish an adequate framework of cooperation, coordination and information relationships with the internal audit departments that may be established from time to time by subsidiaries of the Company, always in accordance with the *Iberdrola Basic Internal Audit Regulations of the Iberdrola Group*, in order to ensure the coordination and information exchange necessary for the proper fulfilment of their respective duties, while respecting the corporate autonomy of all companies of the ScottishPower Group.

Similarly, the manager of the Compliance Division shall establish an adequate framework of cooperation, coordination and information relationships with the compliance division(s) that may exist in other subsidiaries of the Company, while respecting the corporate autonomy of all companies of the ScottishPower Group.

### **CHAPTER III.- FORMATION, APPOINTMENT AND CESSATION OF MEMBERS**

#### **Article 7.- Formation**

1. The Committee shall be formed of three (3) Directors, from among which at least two (2) of them shall be independent Directors.
2. The Committee shall have a chair (the “**Chair**”) and a secretary, with the secretary responsible for the record keeping, preservation and safekeeping of the minute books of the Committee and of the corporate documentation produced in relation to its functioning.
3. In the event of absence of the Chair at a meeting of the Committee, the role of the Chair shall be taken up by the member with the greatest seniority by length of service in office at the meeting for the purposes of that meeting only, and in the case of equal seniority by length of service in office, by mutual agreement of the members present as to which of the persons with equal seniority should take up the role.

In the event of absence of the secretary at a meeting of the Committee, the members of the Committee present shall nominate one of them to carry out his/her duties.

4. The Chair of the Committee must be appointed from among the independent Directors forming part thereof.

### **Article 8.- Appointment**

1. The members of the Committee, as well as the Chair, shall be appointed by the Board of Directors.
2. The Board of Directors shall attempt to ensure that the members of the Committee, and in particular its Chair, have the necessary experience and knowledge of accounts, audit or risk management, which is adequate for the functions they are asked to provide, that at least one of them has experience in information technology and that, as a whole, the members of the Committee have relevant expertise in financial and internal control matters, as well as in relation to the energy (or utilities) sector, all to the extent relevant. It shall not be necessary for them to be experts in these areas as such.

### **Article 9.- Duration**

1. The Directors sitting on the Committee shall exercise this office while their appointment as Directors of the Company continues in force, unless the Board of Directors agrees otherwise.
2. The Directors which make up the Committee, and which are re-elected as Directors of the Company in accordance with the Articles of Association, shall continue to carry out their positions on the Committee without the need for a new election, unless the Board of Directors agree otherwise.

### **Article 10.- Cessation**

The members of the Committee shall cease in their positions:

- (a) if/when they cease to be Directors of the Company; or
- (b) by resolution of the Board of Directors.

### **Article 11.- Training Programme**

1. The Committee shall have a periodic training scheme to ensure that its members are kept up to date with developments in accounting standards, the specific regulatory framework for the Company's businesses, internal and external audit, risk management and supervision, internal control and technological advances and compliance, all as relevant to the Company.
2. New members of the Committee shall be given a member's welcome pack or induction prior to their attendance of their first meeting.

## **CHAPTER IV.- MEETINGS OF THE COMMITTEE**

### **Article 12.- Sessions**

1. The Committee shall meet as many times as is considered necessary in the opinion of the Chair to comply with their undertakings, and at least four (4) times a year, or when half of its members so request it. The meeting schedule shall be fixed by the Committee before the beginning of each calendar year and shall include the tentative agendas and any attendance by non-Committee members that may be deemed necessary, subject, in each case, to any amendment of the same made by Committee resolution or at the direction of the Chair ad hoc. The case of a meeting taking place by telephonic or other non-physical means, such meeting shall be called to take place at the registered address of the Company, while the meeting shall be deemed to take place where the largest group of those participating in the conference is assembled, or, if there is no such group, where the chair of the meeting then is.

2. The chair of the Board of Directors and, if it exists, the Chief Executive Officer, may request informative meetings with the Committee, on an exceptional basis.

#### **Article 13.- Meeting Calls**

1. The secretary of the Committee, at the request of the Chair, may give notice of the calling of a meeting of the Committee by the use of any digital means and, particularly, through a secure Directors' website, indicating the place, date and time of the meeting, as well as the agenda to be followed.
2. The calling of a meeting must be made in time to be received by the members of the Committee not later than the third day prior to the date of the meeting, unless there is a need for an urgent meeting.
3. In relation to the information made available to the directors prior to or during the meeting, any digital tools that are necessary for the fulfilment of their duties shall be made available to the directors, where appropriate.
4. It shall not be necessary to call meetings of the Committee in advance when all the members of the Committee are present and unanimously accept holding the meeting and debating the points on the agenda.

#### **Article 14.- Quorum, Attendance and Adoption of Resolutions**

1. The Committee shall be quorate when a majority of its members are present or duly represented.
2. Any member of the Committee may delegate his/her representation and vote to another member of the Committee in writing (including by electronic means), which may include specific instructions as to how to cast his/her vote, addressed to the secretary of the Committee.
3. Meetings of the Committee shall be presided over by the Chair, who will be assisted by the secretary of the Committee.
4. A meeting of the Committee may be held in several places provided that the members are connected to each other by a system that permits for discussion to take place among those participating in the proceedings, as well as for the casting of votes, all in real time, adopting, where appropriate, any procedure that ensures that those participating in the proceedings can be identified, that the confidentiality of the proceedings is preserved and that an account of the proceedings (and any decisions adopted therein) is duly taken and preserved.
5. If none of the members of the Committee make any opposition, votes may be made in writing and without a Committee meeting, as permitted by the Articles of Association of the Company.
6. Resolutions shall be adopted by a majority of votes of the members of the Committee present or duly represented at the meeting. In the event of a tie, the Chair will have a casting vote.
7. The secretary of the Committee shall:
  - a) draw up the minutes of each meeting, which shall be approved at the end of the same meeting or at the start of the immediately subsequent meeting; and
  - b) make, maintain and circulate to the members of the Committee records of resolutions passed in writing.

#### **Article 15.- Attendance to the Meetings of the Committee**

1. At the request of the Chair, addressed for such purposes to the chair of the Board of Directors, any Director may be requested to attend a meeting of the Committee. The Chair may also request, through the secretary of the Committee, the attendance of any manager or employee of the Company as well as of any member of the management decision-making bodies of the companies in which the Company has an interest provided that there is no legal impediment thereto.
2. The Committee may request the presence at its meetings of both the Company's auditor as well as the auditor of any entity in which the Company has an interest, provided that there is no legal impediment thereto. Under no circumstances shall the Company's auditor attend the decision-making part of the meetings of the Committee.
3. The attendance of managers, employees or other directors (executive or not) to the meetings of the Committee shall be only as required, and with the previous invitation of the Committee's Chair, through the secretary of the Committee, and, subject to the discretion of the Committee, each such attendance shall be limited to those items on the agenda for which the attendee has been called and the attendee shall not participate in the decision-making part of the meetings of the Committee.

#### **CHAPTER V.- POWERS OF THE COMMITTEE, PARTICIPATION, RIGHTS TO RECEIVE INFORMATION OF THE MEMBERS THEREOF AND DUTIES**

##### **Article 16.- Specialist Services**

1. The Committee shall have free access, through the secretary of the Board of Directors, to any type of information or documentation held by the Company relating to matters within the Committee's competence and which it considers necessary for the fulfilment of its functions, without prejudice to the limitations arising from the legal provisions regarding the separation of regulated activities in the United Kingdom.
2. Likewise, the Committee may, at the Company's expense, seek the collaboration or advice of external professionals, who shall submit their reports directly to the Chair of the Committee, who, subject to the provisions of Article 15.2, may attend the meetings of the Committee, as well as the meetings of the Board of Directors when required, and who may speak at the meetings but may not vote. In that case, the Committee shall take any such action to ensure that any conflict of interest which may arise does not undermine the independence of the external advice received.
3. Employment of such specialists shall be made in accordance with any relevant provision of the Articles of Association, the corporate governance system of the Company and any other applicable rule or regulation.

##### **Article 17.- Participation and Rights to Receive Information**

1. The Chair of the Committee may take any action to ensure that each member may participate in the deliberations of the Committee free from any internal or third-party pressure (perceived or otherwise), and to encourage constructive, critical, diverse and free dialogue between members, in order to support the activities of the Committee.
2. The Chair of the Committee, by way of the secretary of the Committee as required, shall provide all required information and documentation to the other members of the Committee sufficiently in advance of each meeting so that they can properly analyse such information in advance and prepare for the meeting.

### **Article 18.- Duties of Committee Members**

1. Without prejudice to their duties as Directors under UK law (as applicable), Committee members must act with independence with respect to the rest of the Iberdrola Group and perform their work with the utmost diligence and professional competence. In particular, the members shall sufficiently analyse and evaluate all required information and documentation in advance of each meeting of the Committee.
2. The members of the Committee shall comply with the provisions of these Terms of Reference and applicable law in the exercise of their powers. The members of the Committee shall, in reviewing and investigating business conclusions reached by the executive directors and members of senior management of the Company, take into account all factors and circumstances made available to them such as they shall deem relevant. Without prejudice to the foregoing, the members of the Committee shall endeavour to act together to deliver a consistent position of the Committee as a whole in its final representations to the Board of Directors.
3. Committee members are subject to all the fiduciary duties of a director, including under the Companies Act 2006.

## **CHAPTER VI.- COMPLIANCE, INTERPRETATION AND INTEGRATION OF THE REGULATIONS**

### **Article 19.- Compliance**

1. The members of the Committee, as well as the other Directors affected, have the obligation to be aware of and comply with these Terms of Reference, for which purpose the secretary of the Board of Directors shall provide all of them with a copy.
2. Additionally, the Committee shall have the obligation to oversee compliance with these Terms of Reference, adopting any measures necessary for such purpose.

### **Article 20.- Interpretation and Integration of the Regulation**

1. These Terms of Reference shall be interpreted in accordance with the law, the Articles of Association and the Company's corporate governance system.
2. Any doubts or discrepancies as regards the interpretation of these Terms of Reference shall be resolved by an absolute majority of the votes of the members of the Committee, and in the absence of such majority, by the Chair, to be assisted by any persons the Board of Directors may appoint for this purpose. The interpretation and resolution of any doubts or discrepancies which may arise must be reported to the Board of Directors.
3. In the absence of any specific regulations, the provisions of the Articles of Association of the Company relating to the operation of the Board of Directors, provided they are not incompatible with its nature and function, shall be applicable to the Committee.
4. In these Terms of Reference the term "Group" shall mean a group as defined in section 1261 of the Companies Act 2006.