



SCOTTISHPOWER

SCOTTISH POWER LIMITED
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2025



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Some of the statements contained herein are forward looking statements about Scottish Power Limited and its subsidiaries, and Iberdrola, S.A.'s strategic plans. Although Scottish Power Limited and Iberdrola, S.A. believe that the expectations reflected in such statements are reasonable, the statements are not guarantees as to future performance and undue reliance should not be placed on them.

Group Strategic Report for the year ended 31 December 2025

The directors present their Strategic Report on the Scottish Power Limited Group ("the Group" or "ScottishPower") for the year ended 31 December 2025. This includes an overview of the Group's structure, strategic outlook including 2025 performance, and principal risks and uncertainties.

SCOTTISHPOWER TODAY

ScottishPower: creating a better future, quicker, by delivering a low-carbon future for the UK

WHO WE ARE

Scottish Power Limited ("the Company"), registered company number SC193794, acts as the holding company of the Group whose activities comprise the generation, transmission and distribution of electricity, energy management, and the supply of electricity and gas principally in the United Kingdom ("UK"). The Company is a wholly-owned subsidiary of Iberdrola, S.A. ("Iberdrola"), one of the largest utility companies in the world and a leader in renewable energy.

The main responsibilities of the Company, which has its own board of directors, are to disclose, implement and ensure compliance with the policies, strategies and general guidelines of ScottishPower, and to own Scottish Power UK plc ("SPUK") which centralises the provision of common corporate services to its subsidiary businesses.

The three divisions operated by the Group during the year were Energy Networks, Renewable production and Customer business, which are owned by their respective Head of Business companies: Scottish Power Energy Networks Holdings Limited ("SPENH"), ScottishPower Renewable Energy Limited ("SPREL"), and Scottish Power Retail Holdings Limited ("SPRH").

The Head of Business companies have their own boards of directors with the necessary autonomy to carry out the day-to-day management and effective administration of their division. Further information regarding the corporate governance and board structure is set out in the Corporate Governance section of the Directors' Report on pages 54 to 59.

OUR ACTIVITIES

The Group has three divisions:

Energy Networks

Energy Networks is responsible for four regulated electricity network businesses in the UK. These businesses are 'asset-owner companies', holding the regulated assets and electricity transmission and distribution licences of the Group, and are regulated monopolies. In March 2025, the UK Competition and Markets Authority ("CMA") cleared the acquisition by SPENH of an 88% shareholding in Electricity North West (Holdings) Limited (previously known as North West Electricity Networks (Jersey) Limited) ("ENWH"), which heads a group including the electricity distribution network operator Electricity North West Limited ("ENWL").

The acquisition is part of the Iberdrola Group's strategy to strengthen its networks business in countries with strong investment ratings, such as the UK. ScottishPower now becomes the second largest distribution network operator in the UK, delivering electricity to around 12 million people across a network spanning more than 170,000 kilometres ("km").

Renewable production

Renewable production is responsible for the origination, development, construction, operation and decommissioning of renewable energy generation plants, principally offshore wind, onshore wind and selective investment in new opportunities.

Renewable production currently has more than 40 onshore operational sites alongside our East Anglia One ("EA1") and West of Duddon Sands ("WoDS") offshore wind farms, totalling 3 gigawatts ("GW") of operational capacity across our portfolio. We also have a strong programme of future projects in the UK pipeline out to 2038, including: more than 5 GW of potential onshore wind; circa 3 GW of offshore wind within the East Anglia zone; and seabed rights for two offshore wind projects in Scotland with a total capacity of 5 GW, with one fixed-bottom site and one floating site. We continue to consider further opportunities to invest more widely in renewable generation and storage, and to also explore opportunities to repower our existing fleet.

In July, a 50% stake in the East Anglia Three offshore wind farm project ("EA3") was sold to Masdar, with project financing arrangements put in place within EA3 to support the construction funding.

Customer business

Customer business is responsible for the supply of electricity and gas to over four million domestic and business customers throughout the UK, including customer registration, billing and handling enquiries in respect of these services. The division is also responsible for managing the Group's smart solutions activities. This includes the installation of, and a special tariff for heat pumps, as well as the UK's first national heat pump annual service plan, solar panels, battery energy storage systems ("BESS"), and electric vehicle ("EV") charging and tariff. During 2025, the Group disposed of its shareholding in its wholly-owned subsidiary, SP Smart Meter Assets Limited ("SPSMAL"), which was responsible for managing its approximately 2.9 million smart meters in the UK for around £900 million. The division is also responsible for managing the Group's exposure to the UK wholesale electricity and gas markets and the optimisation of gas storage.

2025 financial highlights

REVENUE
£6,516m

(2024 £6,583m)

OPERATING PROFIT
£1,798m

(2024 £1,900m)

CAPITAL INVESTMENT
£3,148m¹

(2024 £2,249m)

NET DEBT
£(9,809)m²

(2024 (£9,447)m)

1 Represents additions to Intangible assets (refer to Note 5(a) on page 83), and additions to Property, plant and equipment (refer to Note 6(a) on page 86).

2 As detailed in the 'Liquidity and cash management' section on page 19.

Group Strategic Report for the year ended 31 December 2025

OUR PURPOSE, VALUES, STRATEGY AND ROLE

ScottishPower is “committed to an energy model that prioritises the wellbeing of people and the preservation of the planet.”

OUR PURPOSE

Shaping the future of energy in the UK

We were the first integrated energy utility in the UK to have 100% of its generation of electricity derived from renewable energy sources. Our focus is on prioritising electricity grids to help deliver a ‘new era’ for investment as we deliver the biggest rewiring Britain has seen since electrification. We are playing a leading role in the delivery of a clean, low-carbon system for the UK, currently investing £18 million* every working day between 2024 and 2028 to help create a better future, quicker. Our focus on investment in renewable energy and the electricity grid, alongside measures to support the electrification of heat and transport, align with the crucial pillars in achieving the UK Government’s climate targets and energy security goals.

With our future plans to continue to invest significantly in the electricity network infrastructure that will support the green transition, we are well-placed to contribute to the UK Government achieving its net zero ambitions. In support of the UK’s significant power demand growth prospects and the UK Government’s energy policies set out to promote net zero, industrial decarbonisation and electrification, at Iberdrola’s Capital Markets Day in London in September 2025, Iberdrola unveiled a transformational €58 billion strategic plan with the UK now its top destination for investment thanks to clear growth pathways and strong policy frameworks, making it an attractive investment destination. At ScottishPower, we are investing £24 billion over five years to 2028 as we build out the transmission grid across central and southern Scotland and the electricity distribution grids in central and southern Scotland, north west England and north Wales. We are also building two of the largest offshore wind farms in the world off the coast of East Anglia which together will deliver more than 2.3 GW of clean power for Britain. Transmission investments will increase following the significant upgrades required in the UK under the RII0-T3 (Revenue = Incentives + Innovation + Outputs) transmission price control framework. The final determination, as published by The Office of Gas and Electricity Markets (“Ofgem”) in December 2025, approves ScottishPower’s £12 billion investment plans for the transmission network for the period 2026-2031.

In power distribution, we will continue investing to maximise security of supply and resilience, connect more renewables sites and promote the electrification of energy uses.

Significant innovations and investments continue to be made in Energy Networks’ distribution businesses, with our RII0-ED2 distribution price control framework business plan ‘Enabling the path to Net Zero’, which runs until March 2028. The plan also sets out how Energy Networks will act as a trusted partner for its stakeholders and how it will prepare for a digital and sustainable future. We have also started to engage with Ofgem on its plans for the RII0-ED3 electricity distribution price control which will run from 2028 to 2033.

In support of this investment commitment to ensure the grid is net zero ready, in 2025, Energy Networks opened its brand-new Edinburgh office. This office will be home to our electricity transmission teams including those building major subsea links off the east and west coasts of Scotland. Along with National Grid Electricity Transmission (“NGET”), Energy Networks have reached a major milestone in the development of the Eastern Green Link 4 (“EGL4”) project, a new subsea electricity ‘superhighway’, by selecting Siemens Energy as the preferred bidder for the project’s two high voltage direct current (“HVDC”) converter stations.

In May 2025, the National Wealth Fund (“NWF”) announced a £600m commitment to help ScottishPower upgrade the British electricity grid – supporting hundreds of jobs and helping to pave the way for a new era of clean electricity. The investment forms part of a £1.35 billion financing package, led by Bank of America. NWF’s financing will support the delivery of seven of ScottishPower’s priority transmission grid upgrade projects. These will help facilitate more renewable energy, reduce constraint costs, lower the cost of electricity for businesses and consumers, and unlock growth across the UK.

In June 2025, Energy Networks awarded supply chain contracts to support a £1.4 billion commitment to deliver critical onshore transmission projects across central and southern Scotland and help deliver the UK Government’s Clean Power 2030 mission. Forming part of a wider £5.4 billion supplier investment programme to move the grid forward over the next decade, the contracts enable Energy Networks to build long-term partnerships with UK businesses to rewire the electricity network. This multi-billion-pound investment programme will unlock more capacity for new homes, businesses, and clean energy projects, move power around the country more efficiently, and significantly reduce the UK’s reliance on fossil fuels and boost energy security.

As the UK has led the world in decarbonising the power sector, the amount of renewable generation that needs to be connected will continue to increase significantly. So too will levels of electricity demand, as we move to cleaner forms of transport and heating. Renewable production has successfully installed ScottishPower’s first-ever HVDC offshore converter station for EA3, which is the biggest ever constructed across the whole of the Iberdrola Group. The HVDC station will convert electricity from the wind farm’s 95 turbines from high voltage alternating current (“AC”) to direct current. In 2025, Masdar, a global clean energy leader, and Iberdrola signed an agreement to co-invest £4.3 billion in the 1.4 GW project.

Our role as an integrated renewable energy group places us at the heart of efforts to electrify and decarbonise. Key to that is the societal transformation that is the shared journey to a net zero future, a future where the benefits are available to all. We strive to maximise our social dividend and create a positive social impact. In June 2025 we held our second Sustainability Festival; published our Social Impact report, which describes our commitment to deliver for communities and our people; and published action plans on both nature and the circular economy, in a bid to help build a sustainable future.

After the Labour Government took office at the July 2024 General Election, difficult fiscal and economic circumstances framed the challenges for that government. Following an adverse tax-raising Autumn Budget in 2024, the Chancellor set out a spending review outcome in June 2025 that involved high levels of public investment, including in the area of energy infrastructure such as Sizewell C, a planned new nuclear power station in Suffolk, and support for carbon capture and storage projects. This was facilitated by the adjustment to fiscal rules that the Chancellor had announced in the Autumn Budget creating a bit more scope to borrow to invest in capital projects.

This was followed by another significant tax-raising Autumn Budget in 2025 in relation to energy policy raising £26 billion, with much of this coming from personal taxation. This means that the two budgets of the Labour Government together have raised a total of £70 billion through taxation and this has kept the UK Government within the scope of its fiscal rules whilst allowing it to maintain public spending levels.

*Investment includes spend on offshore transmission assets.

Group Strategic Report for the year ended 31 December 2025

OUR PURPOSE, VALUES, STRATEGY AND ROLE *continued*

The main aspect of the fiscal decisions in the Autumn Budget 2025 was to announce an average saving on household energy bills of around £150 from April 2026, primarily as a result of the UK Government funding 75% of the cost of the Renewables Obligation ("RO") on domestic bills from 1 April 2026 to 31 March 2029 (with the remaining 25% still to be funded from domestic bills), as well as ending the current ECO4 supplier obligation energy efficiency scheme. ECO4 was originally due to expire on 31 March 2026 but the final delivery date has been extended to 31 December 2026.

In terms of legislation in the area of energy policy during this first period of Labour Government, the Great British Energy Act was swiftly enacted in 2025 providing for the establishment of the publicly owned energy company, GB Energy Limited; whilst the Crown Estate Act 2025 has expanded The Crown Estate's remit, including around its investment and borrowing powers and general use of revenues to support the offshore wind sector. The Planning and Infrastructure Act was enacted in December 2025 implementing a range of planning reforms aimed at accelerating infrastructure delivery, including energy infrastructure.

In May 2025, the UK Government also announced plans at a joint UK-European Union ("EU") summit in London to negotiate a reset of relations with the EU, including plans to improve trading across the interconnectors with the EU through closer alignment with the EU's Internal Energy Market, as well as exploring the scope for linkage of the UK Emission Trading Scheme ("ETS") with the EU ETS. Such closer alignment would improve efficiencies in cross-border trading with the EU.

Following the publication of the UK Government's Clean Power Action Plan in December 2024, the Department for Energy Security and Net Zero ("DESNZ") consulted on significant reforms for Contracts for Difference ("CfD") Allocation Round 7 ("AR7") in February 2025.

The budget notice for AR7 was published on 27 October 2025, announcing £900 million for Pot 3 (fixed-bottom projects) and £180 million for Pot 4 (floating offshore projects) (2024 prices). On 14 January 2026, the UK Government published the results of AR7 for offshore wind, awarding 20-year CfD contracts to four fixed-bottom offshore wind projects (totalling 8,245 megawatts ("MW")) and two floating offshore wind projects (totalling 192.5 MW). The Secretary of State for Energy increased the budget for fixed-bottom offshore wind from £900 million to £1,790 million. In Pot 3, 6,865 MW of English/Welsh fixed-bottom offshore wind (five projects over nine contracts) cleared at £91.20 per megawatt hour ("MWh") and one 1,380 MW Scottish fixed-bottom offshore wind project cleared at £89.49/MWh (all 2024 prices). Ahead of AR7, DESNZ ran the new CfD Clean Industry Bonus ("CIB") scheme for offshore wind and has confirmed a final AR7 CIB allocation of around £204 million, subject to final procurement decisions. Our East Anglia One North ("EA1N") project did not receive a contract through AR7, the project is continuing to be developed to allow it to participate in upcoming CfD auctions, with supply chain contracts continuing to be progressed as required.

In light of the UK Government's Clean Power Action Plan, Ofgem has been working with the National Energy System Operator ("NESO") on a programme of grid connections reform. Ofgem published a 'minded-to' decision to approve the NESO's proposed package of reforms in February 2025 and the new process went live in June 2025, with further reforms under consideration.

In terms of their longer-term thinking around electricity market reform, the UK Government announced in a summer update on its Review of Electricity Market Arrangements programme published in July 2025 that it would no longer be working on the possible introduction of a move towards zonal pricing. Instead, it was announced that the UK Government would retain a single wholesale electricity market throughout Britain and it would develop a package of reforms focussed on improving the effectiveness of the current national pricing model. The UK Government set out further detail on the shape of this new programme of work on reformed national pricing in a delivery plan published by the DESNZ in Spring 2026.

Delivering a better future, quicker for everyone

Everything we do as a group is now determined through the prism of net zero and decarbonisation, in the name of green, affordable energy security. The UK needs to go faster and harder than we have ever gone before if we are to meet the ambitious UK Government targets for power sector decarbonisation by 2030, and decarbonisation of the rest of the economy by 2050 (2045 in Scotland). We need to be deploying low-carbon technologies at a quicker rate than has ever been achieved historically, and at ScottishPower, we continue to lead the charge.

There remains a need for speed in delivering more green, secure and affordable energy, not only to meet targets, but to mitigate the potential risk to the planet of an increase in global temperatures of more than two degrees. Global events and the consequent volatility in wholesale energy costs demonstrate the importance of increasing domestic energy security. Ongoing cost of living challenges underline the importance of delivering affordable decarbonisation. Given our unique position in the UK as the only integrated energy group investing in the full chain of renewables, electricity grids and helping homes to decarbonise, our resilient business model is an engine for delivering decarbonisation and growth across the communities we serve.

We have decades of experience delivering the green and secure energy system the UK needs; from supporting vulnerable people in making the energy transition to building the renewable generation that our economy requires; from modernising our electricity networks to connect more renewable energy and enabling the EV revolution to pioneering the development of floating offshore wind generation.

We are dedicated to the purpose of building together, each day, a healthier, more accessible energy model based on electricity. We believe in an energy model that prioritises the wellbeing of people and the preservation of the planet. Recognising the importance of taking care of the environment and people's health, we want to offer society our experience in addressing these urgent social needs through our work on the decarbonisation and electrification of the economy as a whole, using renewable energy sources, efficient energy storage, smart grids and digitalisation. We share Iberdrola's purpose and values, and this is the bridge that connects the communities we serve with our growing group.

Our Smart Solutions Team continues to expand its customer offerings by enhancing the design, quote and ordering experience for solar, battery, heat pump and home EV charging installations. In 2025, we launched our most competitive heat pump offer to date, including a £1,000 discount, smart thermostat, and a £100 Panasonic voucher.

The EV Optimise product has seen significant growth, allowing customers to charge at the cheapest times for the lowest overall cost. It now forms part of a bundled offer with the Easee EV charger and was recognised as Vehicle Charging Innovation of the Year at the 2025 Auto-tech Breakthrough Awards. We have also introduced innovative time-of-use tariffs and expanded our smart flexibility programmes, helping customers save money by shifting energy usage to off-peak periods. These initiatives support our broader strategy to accelerate home decarbonisation and empower customers to participate in the clean energy transition.

Investing in public charging remains a key commitment with over 1,000 public EV sockets either installed or in the pipeline. Our EV network availability is 99% and a new subscription product was launched to improve utilisation and reward regular users. ScottishPower was appointed the Charge Point

Group Strategic Report for the year ended 31 December 2025

OUR PURPOSE, VALUES, STRATEGY AND ROLE *continued*

Network Operator for public chargers in Argyll and Bute Council, Outer Hebrides, Orkney Islands Council and Shetland Islands Council ensuring EV charging is available in more remote locations.

OUR VALUES

Our values rest on continuing to develop as a leading global and sustainable group in the 21st century. To meet our purpose, we are founded on the following three corporate values that define the Group's identity and form the basis of our strategy.

Sustainable Energy ("Sustainable")

We are pioneers of renewable energy. We seek to inspire others by creating economic, social and environmental value wherever we are now, and looking to the future. We put this value into action by continually putting safety first, respecting the environment, and acting ethically, rationally and responsibly to meet our commitments.

Integrating Force ("Collaborative")

We are an energetic and responsible force for change. Through working together, we build and grow talent to achieve our common goals and purpose. We put this value into action by sharing knowledge and information; working together with our employees, suppliers and customers; and by breaking the mould and encouraging diversity.

Driving Force ("Dynamic")

We bring about efficient change, big and small, through constantly challenging ourselves and our processes. We innovate to deliver continuous improvement. We put this value into action by asking how we can do things more simply or efficiently, coming up with ideas and leading innovation, and anticipating our customers' needs.

OUR STRATEGY

Our strategy is to create value from investment in networks, renewable energy generation and retail to help our customers realise a better future, quicker, under the pillars of our corporate values.

Our key strategic goals include:

- investing in networks to make them smarter and more resilient, and creating a platform for the UK's sustainable electric future;
- investing in selective renewable energy generation, principally offshore and onshore wind, to address the climate emergency and reduce the cost of electricity generation;
- creating a fair, transparent, competitive and financially stable retail market where customers are protected from irresponsible practices and are in control of their energy usage through digitisation and smart metering;
- supporting and guiding customers through their journey to help them decarbonise and be more efficient in their energy consumption; and
- designing and delivering an energy system to facilitate and encourage the growth of EVs and clean heating solutions to improve air quality and tackle climate change.

At our Capital Markets Day in September 2025, Iberdrola unveiled a transformational €58 billion strategic plan, with the UK now its top destination for investment. At ScottishPower, we are investing £24 billion over five years to 2028.

OUR ROLE

In the wider legislative, regulatory and commercial context in which we operate, our commitment to playing a leading role in the UK's contribution to combat climate change has been reflected in a number of significant developments in 2025.

As the only energy group in the UK with a role across the entire energy value chain of generation, transmission and distribution, and supply to customers, we are uniquely placed to make an active and distinctive contribution to these policy debates. In 2025, our strategic partnership with World Wide Fund for Nature ("WWF") continued to deliver meaningful impact, including joint support for Earth Hour and Earth Day through Power Saver Plus initiatives in collaboration with our Customer business division. As part of our shared commitment to promoting decarbonisation, customers were incentivised to reduce electricity consumption during peak periods, earning credits towards their energy bills. In addition to these customer-facing programmes, we continued to maintain active engagement with WWF on political and policy advocacy, working with key stakeholders to influence the broader energy and climate agenda.

We continue to work in partnership with local communities, consumers, employees, supply chains and policymakers to realise our shared net zero ambitions, acting on the principles set out in our Just Transition strategy, which we have continued to promote across our business, and with external stakeholders. We are committed as an organisation to ensuring that the energy transition is fair, and that the people we serve have a stake in shaping it.

A record 338 graduates and trainees joined the group in September 2025, kicking off their careers in roles that span engineering, cyber security, project management and more. From Glasgow to Merseyside, North Wales to London, the new recruits are stepping into roles that will place them at the heart of the UK's energy transition, supporting ScottishPower's £24 billion investment programme to modernise infrastructure and accelerate progress towards a green future. Their work will help upgrade transmission networks, connect more renewable electricity to the grid, and support the development of offshore wind and green energy solutions.

This is the largest early careers intake ScottishPower has ever welcomed, and it includes a 59% jump in apprentices and a 47% rise in graduate hires compared to 2024. The Group has significantly ramped up its investment in talent, reflecting the growing demand for skilled professionals across its businesses signalling the company's commitment to building the workforce of the future.

Group Strategic Report for the year ended 31 December 2025

OUR PURPOSE, VALUES, STRATEGY AND ROLE *continued*

ScottishPower has partnered with Cancer Research UK ("CRUK") since 2012, raising more than £40 million to date. We have continued to support CRUK by sponsoring the charity's annual carol concert in Glasgow Cathedral in December 2025. In addition, 20 charities across Scotland, England and Wales have been awarded a share of £1.2 million in funding through the ScottishPower Foundation. These funds will help those charities tackle current issues, including homelessness, mental wellbeing and climate action. The eleventh annual ScottishPower Foundation awards recognised a diverse group of outstanding charities for their continued hard work and dedication to the communities they serve, with the support of funding from the Foundation.

We are proud to take an active role in promoting positive engagement with wider communities. In 2025, we continued to grow our landmark partnership deal with Scottish Women's Football ("SWF") and the Scottish Women's Premier League ("SWPL"), dedicated to energising women's football at every age and stage across Scotland. The impact of our partnership was recognised at both the UK Sponsorship Awards and the UK Women's Football Awards with high commendations of our support for grassroots football and outstanding corporate social responsibility actions. In addition, we were honoured with the Women's Football Impact Award at the inaugural Global Football Industry Awards, held in London in November 2025.

We are delighted that our teams have won multiple other recognition awards over the year in relation to a wide range of different areas, such as celebrating our positive environmental impacts; recognising our colleagues' impact in marketing at the Marketing Society Awards; winning a Green Business Award; our Chief Executive Officer ("CEO") being named Business Leader of the Year; our In-Fuse network recognised at the Pride Awards; and winning a top accolade at the UK Customer Service Awards. In addition, a host of charities and organisations supporting communities across Scotland have also been awarded funding from Energy Networks' £5 million Net Zero Fund to introduce innovative net zero technology.

ENGAGING WITH STAKEHOLDERS THE IMPORTANCE OF ENGAGING WITH OUR STAKEHOLDERS

As part of the Iberdrola Group, we are developing a responsible and sustainable energy model which focuses on the wellbeing of people, the protection of the environment, and the economic and social progress in the communities in which we operate. We strongly believe that effective and meaningful engagement with stakeholders, especially employees, is key to promoting the success and values of the Group.

Meaningful engagement with our stakeholder groups supports the ethos of Section 172 of the Companies Act 2006 which states that directors should have regard to stakeholder interests when discharging their duty to promote, in good faith, the success of the company for the benefit of its members as a whole (for further insight, refer to the Section 172 statement on page 53). Details of how the Group and our individual divisions engage with our stakeholders, and how these activities influence the Group's operations, are set out below.

Our key stakeholders

We have five key stakeholder categories: people, energy customers, government and regulators, suppliers and contractors, and community and environment. Behind these stakeholders are millions of people, and thousands of institutions, organisations and groups. All of them, with their decisions and opinions, influence the Group and, in turn, are affected by our activities. In addition, these stakeholders interact with each other, creating a universe of relationships that the Group needs to manage in order to achieve a better understanding of our operating environment and to deliver a more sustainable performance across our activities.

Our shareholders are also important to us. All shareholder management activities are carried out on our behalf by our ultimate parent company, Iberdrola, whose shares are listed on all four stock markets in Spain. Iberdrola is committed to dialogue, proximity and actions in favour of shareholders. Iberdrola was one of the first companies in the world to formalise a Shareholder Engagement Policy focusing upon two-way interaction with the shareholders in order to forge a sense of belonging and to encourage their engagement in the corporate life of Iberdrola. Iberdrola's Ongoing Shareholder Engagement Policy is published at www.iberdrola.com under 'Corporate Governance' / 'Governance and Sustainability System' / 'Ongoing Shareholder Engagement Policy'.

"People, our most important asset"

PEOPLE

The Group employs approximately 9,800 employees, working across a range of roles within Energy Networks, Renewable production, and Customer business as well as our corporate function. Our employees make a real difference in determining how successfully we operate. The creativity, innovation and individuality of our employees enables us to build on our future capability to operate effectively in a competitive market and continue to have aspirations which are challenging and rewarding. We respect and recognise the importance of individuality as part of our ongoing commitment to promoting a culture where individuality is celebrated. We also understand that being a diverse organisation goes beyond having legally compliant policies and practices; it includes a focus on creating an innovative, integrated organisation where people feel valued, inspiring them to perform at their best.

The Group welcomed around 2,550 employees from ENWH and its subsidiaries and joint venture (together the "ENWH Group") in the course of 2025. We have commenced the alignment of our ENWH Group colleagues into ScottishPower in 2025 and this will continue throughout 2026.

The Group received accreditation as a 2025 Top Employer from the Top Employers Institute. This accolade recognises people management practices and their impact across the organisation.

In November 2024, we announced plans for headcount growth in 2025. Since then, we have welcomed over 1,000 new hires into ScottishPower.

Employment regulation

We have well-defined policies in place throughout our divisions to ensure compliance with applicable laws and related codes of practice. These policies cover wide range of employment issues such as disciplinary, grievance, bullying and harassment, discrimination, absence, performance management, anti-bribery, anti-corruption and whistleblowing, which all operate in conjunction with the Ethical and Basic Principles of Governance and Sustainability of the Iberdrola Group, the ScottishPower Sustainable Human Capital Management and Anti-Harassment Policy and the ScottishPower Code of Conduct and Disciplinary Rules ("the Code of Conduct"), which outline expectations for employees' conduct. We continuously review the content and application of our policies and procedures in line with changes to employment legislation, related codes of practice and case law.

Group Strategic Report for the year ended 31 December 2025

ENGAGING WITH STAKEHOLDERS *continued*

Skill development

We have a continuing commitment to training and personal development for our employees and provided 8,297 formal training events in 2025 (4,632 in 2024) alongside digitally enabled learning opportunities providing bite-size learning content to employees in the flow or work. In 2025, 5,415 employees interacted with learning across LinkedIn Learning, Pluralsight, Mindtools and GetAbstract digital learning platforms, with each hosting curated content on specific skill areas.

The focus in technical training during 2025 has principally been on three key areas:

Property

With both the annual intake and the number of inflight trainees at a peak, we have put in place more facilities at our Dealain House training centre. This year's expansion provides a stopgap while we continue to evolve the strategy and requirements for wholesale replacement of all training facilities at Dealain.

Process

Following the successful introduction of the new safe system of work for electrical and mechanical works, attention has turned to other key areas of technical training. These have been structured under the headings of general safety, technical skills, non-technical skills, and environmental training, with a new authorisation structure put in place accordingly. These new authorisation categories provide improved visibility of individual competence and knowledge levels, providing development pathways for all staff.

People

Our in-house training delivery team grew to align with increased training volumes. This year we introduced the new role of Workshop Assistant to assist in the delivery of practical training. Our established trainers also upskilled to deliver more diverse training in the areas of both technical and non-technical skills, such as fatigue management (a first for a Distribution Network Operator ("DNO") in the UK) and storm damage assessor. These new training courses are essential aspects of upskilling our new and existing workforce.

As well as capturing the formal training needs of our employees, we continue to refresh our approach to personal development planning, ensuring all employees and line managers have appropriate training, resources, and the support in place to conduct high quality career conversations.

We have continued to ensure our employees have role-specific training and we have run upskill programmes in relation to environmental and sustainability programmes, mental health first aid, project management, artificial intelligence ("AI"), IT and cyber security skills.

2025 has seen the development of skill frameworks mapped to our strategic capability areas; cyber and project management have been areas of focus with the development of skill frameworks, levels, learning journeys and career pathways created for roles within these capability areas. Employees have had the opportunity to undertake individual skill assessments to understand where their areas of strength and opportunity lie, and this data then informs enterprise-wide activity.

During 2025, our graduates and trainees continued to undertake structured training programmes leading towards the achievement of nationally recognised trade apprenticeships, other accredited qualifications or specific training programmes. This population have also received specific training on transferable skill sets and are supported by a development programme and mentors for our graduates.

Employees across the Group received training in core leadership topics as part of our leadership approach. This included embedding a new programme for first line managers, equipping them with the skills necessary to lead their teams effectively and continuing our female specific leadership development programme, Strategies 4 Success. In 2025, we piloted a new middle-manager leadership programme, focussed on supporting this specific leadership transition point and the challenges that they face. We have continued to offer team development support through our Team Effectiveness Toolkit and Team Performance sessions in each of our business areas. Throughout 2025 we have also developed a leadership pathway and associated learning resources, linking the Iberdrola Behaviours with the Transformational leader, Objective orientated and People focused ("TOP") Leader model and ensuring a variety of learning resources for leaders across the organisation supporting their development in key skill areas.

We have continued to participate in the global roll out of learning communities across key topics within the Iberdrola Group; these include project management, cyber security, new ways of working, data, employee experience, open innovation and technical solutions. These communities are open to all employees, and we currently have 698 employees participating in knowledge sharing at a global scale.

Employee feedback and consultation

Our employee engagement survey is called 'the LOOP'. The LOOP provides an opportunity for our employees across the organisation to share their views on their day-to-day employee experience and is completed by employees annually. Our listening approach is more continual with short, topic-focused quarterly surveys to enable us to act quickly on feedback. Our surveys are based on employee net promoter score ("eNPS"), sentiment and satisfaction. Our latest survey was launched during September 2025 to employees focusing on their day-to-day working life with an increased response rate of 52% and a healthy eNPS score of indicating a positive work environment where employees are engaged and satisfied. Scores increased across engagement and satisfaction.

The results also provided some positive insights including that our employees feel they have a healthy and supportive day-to-day working relationship with their line manager. Employees feel that most of their day-to-day tasks are aligned to their priorities. Areas of opportunity are linked to our inclusion and diversity strategy with a multi generation workforce and the culture required for our future workforce and building on supporting employees balance work and life in a way that works for them.

Inclusion and diversity

We are committed to driving diversity in the energy industry, increasing our diverse and inclusive workforce whilst taking action to address the deepening skills shortage in the sector.

We want to attract and inspire the best talent regardless of gender, age, sexual orientation, disability, ethnicity or any other factor. We value every individual's differences and the insights they bring to how we think, what we believe and who we are.

In 2024, we achieved EDGE Certification, a leading global standard measuring gender equality, and we are currently working toward EDGE+, an additional accreditation which covers commitment to intersectional equity, such as race, ethnicity, LGBTQI+, disability and age.

Group Strategic Report for the year ended 31 December 2025

ENGAGING WITH STAKEHOLDERS *continued*

We recognise the importance of work-life balance, and many of our roles offer hybrid working, allowing employees to split their time between the office and home. Additionally, as part of our recruitment process, we encourage discussions on flexible working.

We published our latest Gender Pay Report on 9 March 2026 in which we reiterated our commitment to pay for performance equally and fairly. This continued our focus on breaking down barriers across the employee lifecycle, as over time this will improve our gender pay gap position whilst widening the inclusion of other under-represented groups. For more information, the latest Gender Pay Report is published at www.scottishpower.com ("the Corporate website") under 'Careers' / 'Inclusion at ScottishPower' / 'Gender Pay Report'. As part of our commitment to closing our gender pay gap, and as a Group which has a common framework in all the countries in which it operates on diversity and inclusion, Iberdrola set two targets in 2022 to break down the barriers for women:

- the proportion of women in senior management positions to exceed 35% by 2030; and
- the proportion of women in responsible roles to exceed 36% by 2030.

At the end of 2025, the proportion of women in senior management positions was 34.0% (2024 32.1%) and the proportion of women in responsible roles was 31.0% (2024 32.7%). As we grow our business, our focus remains on improving our gender representation in responsible roles which include graduate and middle-management posts. However, we recognise challenges in the external senior management talent pipeline. In response we have implemented senior and middle-management female development programmes and increased our insights on the population of women who want to grow their career at ScottishPower.

We have a number of programmes in place to assist further with these goals and progress is monitored on a continuing basis:

- Inclusive recruitment principles such as balanced shortlisting and gender-balanced interviewing are now incorporated into all our external recruitment campaigns. Recruitment consultants work with all hiring managers to adopt these inclusive recruitment principles.
- All of our job advertisements are reviewed using gender de-coding (i.e. highlighting masculine and feminine language).
- We are a corporate partner of the Women's Engineering Society to help with the important work that they do in supporting female engineers and encouraging girls to see engineering as a career option.
- We continue to provide Maternity/Parent Coaching to females within our talent population who are on the maternity journey, whether that be preparing for, or on, leave, or returning to work. The coaching blends practical support and advice to both the participants and the line managers as well as focused career coaching to maximise the participant's potential for future progression.
- Our 'New Additions to Your Family' guidelines provide sector-leading leave benefits for all ScottishPower employees regardless of service. These include 26 weeks' full pay for maternity and adoption leave and eight weeks' full pay for paternity leave and up to twelve weeks pay for neonatal care leave. Returners from maternity and adoption leave are also entitled to a phased return where they will receive 100% contractual pay for working 80% of their duties for three months. These guidelines were designed in collaboration with the Group's employee network who support parents and carers ("SPACE").
- Additional guidance on menopause and menstrual health and domestic abuse has been developed and communicated in collaboration with the ScottishPower's Connected Women's employee network. We now also provide free period products at all our UK sites as we work towards external accreditation as a menopause friendly employer.

In 2023, we launched the ScottishPower Executive Diversity and Inclusion ("D&I") Committee. This committee of senior executives continue to lead and champion diversity across the business. This committee also works in collaboration our D&I working group made up of our employee-led network chairs and business stakeholders.

In addition, we are promoting gender equality through the Science, Technology, Engineering and Mathematics ("STEM") engagement initiative. Throughout 2025, we have delivered our STEM message to primary, secondary, college and university pupils and students via face-to-face events and workshops encouraging the next generation into STEM careers. We work with a range of partners to promote and deliver messaging around our early career's programmes to school children and their families.

The STEM Returners programme aims to help individuals returning to work after a lengthy career break. The programme helps individuals grow and develop their confidence to support their long-term ambitions into an energy career. The 2025 cohort saw nine returners commence the programme.

We continue to work with several recognised organisations as part of our commitment to diversity and inclusion. These include: the Business Disability Forum, the Forces Transition Group, Carers UK and ENABLE Scotland. We are recognised at the highest level of accreditation of the Armed Forces Covenant (Gold Status) for initiatives we have in place as a 'forces-friendly' employer. In 2025, we launched the 'EMPower' Programme, supporting ex-military employees with their transition into civilian life. The programme was designed to allow skilled veterans to transfer their skills into the energy industry whilst being supported through personal development and formal qualifications. In 2025, we recruited eleven individuals onto the programme.

We expect all our employees to be treated with respect and we have supporting policy guidance to help ensure equality of employment opportunity for people with disabilities. We have maintained our Disability Confident Standard and our accredited level at 'established' with Carers Scotland.

In 2025, the eighth cohort of the inspirational Breaking Barriers programme commenced. The programme aims to support aspirations for young people with learning disabilities and provide equal opportunities to access university courses. During 2025, ten learners aged between 18 and 30 studied for a Certificate in Applied Business Skills at the University of Strathclyde Business School. As part of this experience, the learners gained valuable skills and work experience as part of a placement with the group.

The Group continues to support the growth of our existing employee-led networks:

- Future Connections – to bring people together from across the Group with an appetite to communicate and learn about activities in other business areas;
- Connected Women – a confident and vibrant network for ScottishPower women;
- SPACE – to give employees access to support and guidance on all aspects of being a parent or carer;
- In-Fuse – to represent LGBT+ colleagues and allies alike;

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ENGAGING WITH STAKEHOLDERS *continued*

- VIBE – focussed on ethnicity;
- SPARC – representing disabled colleagues and their allies; and
- iCan – a platform to encourage, create and promote authentic leadership for climate action in both the professional and personal lives of all ScottishPower employees.

In addition, we have welcomed eight colleague resource groups from the ENWH Group into our employee led networks.

All our employee-led networks continue to engage with their members through awareness sessions and celebrating key dates on the inclusion calendar as well as sharing knowledge to promote personal development. The networks also play a key role in the attraction and retention of new employees from under-represented groups to maximise engagement and performance. We continue to promote our commitment to inclusive employment through our external careers website, 'Inclusion at ScottishPower'. This is a dedicated space on our Corporate website which promotes important initiatives that go on internally, such as our employee networks, involvement with community programmes, partnerships with external organisations and our Gender Pay Report.

Rewards and benefits

As our business continues to change and evolve, it is important that the benefits that we provide to our employees also develop to meet these challenges. We recognise that the benefit needs of employees are unique to the individual and we want them to be able to tailor benefits to their own circumstances. We provide a benefits programme, 'Your ScottishPower Benefits', which offers employees the flexibility to choose from a range of benefits, such as participation in the ScottishPower Share Incentive Plan, purchasing a bike through the Cycle to Work scheme, purchasing additional holidays or participation in the ScottishPower EV Salary Sacrifice Scheme where employees can initially lease, and then purchase, an EV in a cost-effective manner. Employees can also participate in one of the Group's pension schemes. The Group has two defined contribution plans and three defined benefit schemes which allow employees to save for their retirement. All employees who have joined the organisation on or after 1 April 2006 have been offered membership of one of the two defined contribution plans.

Health and safety

Employee health, safety and wellbeing, the prevention of harm to employees, contractors and members of the public, and the protection of business assets and operational capability, are our top priorities. During 2025, we have continued to strive for improved performance. Both internal and external health and safety assessments have returned positive findings.

We have an established Health and Safety Management System ("HSMS") to ensure that the Group and its employees meet all applicable internal, external, legal and regulatory requirements and standards, and which aligns with the Iberdrola global health and safety approach.

This HSMS provides an overview of how health and safety risks are managed across the organisation. The HSMS includes items such as:

- The Health and Safety Policy, which details what we want to achieve with respect to health and safety, who will implement the requirements (detailing the roles and responsibilities) and how the policy will be achieved.
- How the health and safety programmes (e.g., the annual Preventive Activity Plan, Operational Plans and Communications Plans) have all been implemented. All of these are aimed at maintaining and improving health and safety performance.
- How compliance is delivered through a governance structure, audits and inspections and external and internal certification.
- An annual training plan is established to ensure employees are competent based on appropriate education, training or experience.
- A risk assessment procedure details how we will manage and control hazards and risks.
- An established annual Health and Safety communication plan.
- At a Group level, a Health and Safety Management Review is completed every six months and a specific report format used to record and communicate the findings.

To work in conjunction with the Group HSMS, each of our divisions has its own specific HSMS. Each division's HSMS expands upon the Group HSMS; they are not intended to duplicate or contradict, but to focus on division-specific scope of works and requirements. An objective for 2026 is to align the ENWH Group's HSMS with ScottishPower's HSMS.

Health and safety performance

We successfully maintained our ISO 45001 certification following a surveillance audit in 2025. Total Recordable Injury Rate ("TRIR") is one of the primary measurements for health and safety performance and includes lost time, medical treatment and restricted work incidents. In 2025, Iberdrola changed the reporting metric from 200,000 hours to 1,000,000 hours with employee and contractor hours combined, to align with European Sustainability Reporting Standards ("ESRS") reporting. In 2025, the employee and contractor TRIR was 1.216 (including the ENWH Group). In 2024, it was 1.013.

The annual ScottishPower employee and contractor accident and incident statistics remained low with 48 TRIR incidents in 2025. Nine of the TRIR employee incidents were reported to the Health and Safety Executive ("HSE") under The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations. There were four occupational health cases reported to the HSE under the same regulations during 2025.

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ENGAGING WITH STAKEHOLDERS *continued*

The table below provides the occurrence of TRIR incidents in each business division (including the corporate functions):

TRIR incidents*	Total	
	2025	2024
Energy Networks**	34	21
Renewable production	8	1
Customer business	6	5
Corporate	–	1
	48	28

* TRIR incidents include lost time, medical treatment and restricted work incidents.

** ENWH Group included 11 incidents from March 2025 onwards.

Based on these figures along with the results from audits and inspections, health and safety standards and performance within the Group remain high.

Public safety

In addition to the physical measures we take to protect the public from electricity such as secure compounds, safety clearances and signage, we also strive to raise electrical awareness with the public, our customers and key industries including agriculture, construction and specialist trades. Our public safety engagement continues to focus on these priority areas, guided by current data and trend analysis and this approach will shape our plans for 2026. We are continually looking at ways to enhance and improve how we communicate electrical safety advice to the public and third parties whose work may bring them into close proximity with our electricity network. This includes ongoing collaboration with the Energy Networks Association (“ENA”) to influence, benchmark and align with UK initiatives.

During 2025, key examples of our public safety activity included attending major UK agricultural shows, strengthening our partnership with the Scottish Association of Young Farmers, supporting education centres relevant to the industry and delivering a series of targeted communication campaigns.

Employee health and wellbeing

We promote and support the physical and mental health and wellbeing of our employees through a programme of health promotion and health improvement activity by our Occupational Health, Hygiene and Wellbeing department, with the support of teams and colleagues across the Group.

We are committed to creating a mentally healthy working environment that promotes good mental health and wellbeing for all our people which is why we are once again participating in the See Me in Work Programme, designed to tackle stigma and discrimination within the workplace. Using feedback gained from a staff survey and focus groups, a new set of mental health actions has been agreed by ScottishPower’s Health and Wellbeing Steering Group. Members of this group promoted the new actions to employees on World Mental Health Day. We are also progressing in our journey to becoming compliant with ISO 45003 – the first global standard in psychological health and wellbeing. We are moving forward with our mental health line manager training, which is one of our environmental, social and governance targets. In collaboration with Scottish Action for Mental Health (“SAMH”), we have trained 1,160 people managers in 2025, and we have launched a new Mental Health in the Workplace toolkit. We have also strengthened our Mental Health First Aid (“MHFA”) Network which now has 164 trained Mental Health First Aiders (“MHFAs”) and we have trained a further 16 new MHFAs. To help inform further improvements within the network, we issued an MHFA survey in February 2025. The responses received have helped shape our quarterly network meetings along with the delivery of a further two forums, which were facilitated by SAMH and focused on developing our existing network members and inducting those newly trained in the role.

Promoting health and wellbeing in and outside of work is one of our health and safety essentials and we continue to raise awareness of topics and areas of health that impact upon our people. In September 2025, this was suicide prevention, which we marked with the development of an information pack and sessions for our employees with the aim of reducing the stigma associated with suicide and promoting the role everyone can play in reducing the number of people who die by suicide.

A step count challenge and staff health checks were delivered as part of the Group’s Sustainability Festival. This is in addition to the services and programmes delivered by our Power Club service, which seek to engage staff in healthy and active lifestyles.

The Occupational Hygiene team has developed information, instruction and training on key health issues including noise and vibration, with dedicated training courses being produced. In addition to the ongoing management of fatigue for the different business streams, a project to look at musculoskeletal disorders (“MSD”) across the industry’s DNOs has commenced via the ENA. MSD is a significant cause of absence not just for ScottishPower, but for all DNOs and shared knowledge to assess and identify workable mitigating measures will benefit all.

Within the Renewable production division, a seven-month study of personal exposure to crystalline silica (“RCS”) during the creation of borrow-pits and associated construction was conducted under the requirements of the Control of Substances Hazardous to Health Regulations. The work demonstrated that when the control measures were correctly applied, personal exposures were low. Equally, it demonstrated that when they failed, exposure risk to the dust was significant. RCS can cause the progressive condition silicosis and is also a pre-cursor to lung cancer and so it is vital to be able to ensure personal exposures are well controlled.

The HSE Back Injury Risks in Driving tool that was used in Customer business in 2024 has been extended to the Renewable production division to assess the risk from driving for hours on difficult terrains. Further proactive work will be undertaken in 2026.

“Empowering customers to save money and carbon”

ENERGY CUSTOMERS

We provide energy and related services to millions of customers. Our success depends on our ability to understand and meet the needs of our customers, and engagement is key to our success in this rapidly changing environment. We seek feedback in several ways including forums, market research and via complaints channels and surveys.

Group Strategic Report for the year ended 31 December 2025

ENGAGING WITH STAKEHOLDERS *continued*

Energy Networks

Our customers have every right to expect a good experience when they interact with us, whatever the reason. We are committed to delivering this, and to improving year-on-year against the standard industry-wide metrics.

Understanding and responding to our customers' needs is not only deep-rooted in our culture but is also essential to meeting the goals we have developed with stakeholders to guide our future plans. Our commitment to our customers is reflected in our customer service scores which continue to trend above Ofgem's targets. In the regulatory year 2024/25, SP Distribution plc ("SPD"), SP Manweb plc ("SPM") and ENWL all achieved a customer satisfaction score exceeding the required benchmark. For our transmission business, as part of our RII0-T2 transmission regulatory price control, we have been committed to improving the quality of service as measured through the Quality of Connections Survey, more commonly known as the 'Moments that Matter'. For the fourth year of RII0-T2 (regulatory year 2024/25) our customers rated us at 8.9, against a benchmark of 7.7. This commitment to customer service will continue as we move into RII0-T3.

Delivering for our customers

Power cut support service

Our customers, and especially those affected by situations of vulnerability, tell us that power cuts cause stress, anxiety and can pose a real threat to their safety and wellbeing. We can help customers manage these challenges by providing quick, clear, and accurate information before and during power cuts. When an emergency occurs and detriment to customers cannot be wholly prevented, we seek to understand our customers' needs and offer a range of welfare support services that include generators, the provision of hot food and a set of tailored support services. Our state-of-the-art Customer Relationship Management ("CRM") system further enhances our ability to offer customers timely and accurate information, cutting our response times and freeing up our colleagues' time so they can offer proactive and targeted support to those registered on the Priority Services Register during emergencies.

Engaging with our stakeholders

To ensure our strategy continues to be fit for purpose, we enlist Accountability, an independent company, who own the global standard for stakeholder engagement (AA100000SE), to conduct a full health check audit of our engagement strategy and processes each year. We do this to support our programme of continuous improvement and the development of high-quality stakeholder engagement practices. We achieved 93% in the 2025 'Accountability' audit, obtaining the highest categorisation possible (Advanced). This represents an overall improvement of 27% since our first audit in 2018.

Energy Networks continues to identify the needs of vulnerable customers and stakeholders and will continue to refine and develop its strategy and initiatives in respect of both stakeholder engagement and consumer vulnerability. Examples include continuing use of Strategic Optimiser teams to act as a conduit between local authorities and the technical optioneering for low-carbon technology, offering significant time and cost efficiencies, through local authorities having access to expert electricity network knowledge and the continued development of our CRM system.

We are proud to have 99% of all eligible households registered onto our Priority Services Register, with over 102,000 new households registered in regulatory year 2024/25. This helps to deliver additional support when our customers need it most. Focusing on our role in protecting vulnerable customers, we are on track to deliver against our vulnerability strategy commitments. In regulatory year 2024/25, we supported over 22,000 customers through fuel poverty services and 764 through Low Carbon Technology ("LCT") support, delivering over £10 million in net present value benefits and £0.2 million in LCT-related social value. Customer satisfaction remained high, with average scores (out of 10) of 9.54 (fuel poverty) and 8.41 (LCT).

To strengthen the stakeholder engagement process within Energy Networks, the Independent Net Zero Advisory Council ("INZAC") operates over three licence areas. The INZAC is an independent group of energy industry experts which was created by Energy Networks to bring the voice of customers and stakeholders into the heart of its business. It brings together 15 external experts to provide challenge and specialist knowledge to both the distribution and the transmission sides of the business across Central and Southern Scotland, North Wales, Merseyside, Cheshire and North Shropshire. The INZAC, which played a role in challenging the RII0-T3 business plan, is chaired by renowned industry expert, Angela Love, who has over 30 years' experience of the UK and European gas and electricity markets.

In April 2025, ENWH Group refreshed its oversight group and created a new independent stakeholder group to align to the latest RII0-ED3 guidance from Ofgem.

Maintaining a reliable supply of electricity

Society rightly expects to consistently receive a reliable supply of electricity at the flick of a switch, which is why we strive to exceed our regulatory price control commitments and will continue to do so for RII0-ED2. We serve our distribution customers with 99.99% reliability levels for 43p per day, protecting the most vulnerable and ensuring supply to critical sites such as hospitals, nursing homes, water treatment works and food supply businesses.

Ensuring a just transition

Energy Networks has its own Just Transition Strategy which sets out the steps it is taking to embed the principles of a fair and equitable transition into everything it does.

Customer business

Our mission and customer experience

ScottishPower's Customer business continues to transform how customers experience energy, with a clear mission to deliver exceptional service, empower households to reduce bills and carbon emissions, and build trust through innovation and transparency. We remain focused on providing a customer-centred, best-in-class service that meets regulatory standards while ensuring fairness and clarity in every interaction. Our support for vulnerable customers is strengthened through dedicated frameworks and the work of our Community Liaison Officers ("CLO's"), ensuring tailored assistance and improved accessibility. We are leveraging new technologies to enhance customer experience and develop innovative products and services that help customers lower costs and their carbon footprint. At the same time, we continue to expand our digital convenience offering, providing industry-leading self-service tools that make managing energy simple and intuitive. Alongside these priorities, our long-standing partnership with CRUK remains a core part of our social commitment, with over £40 million raised to date as we work together to help beat cancer sooner.

Group Strategic Report for the year ended 31 December 2025

ENGAGING WITH STAKEHOLDERS *continued*

Delivering great customer service: Our commitment to excellence

We continue to demonstrate an unrelenting focus on service quality, underpinned by structured governance, proactive customer engagement and a commitment to continuous improvement. This approach is central to enhancing operational performance and ensuring customers receive a consistently high standard of service.

Significant progress has been made across key areas including complaints reduction, customer satisfaction, and repeat contact performance. Customer business remains firmly committed to achieving a 3-Star rating in the Citizens Advice complaints scorecard, reflecting both ambition and accountability in its service commitments.

Reducing and preventing repeat customer contacts remains a priority across all areas of Customer business. Teams are focused on 'right first time' resolutions, supported by better data insight, enhanced processes, and a clearer view of end-to-end customer journeys. This is complemented by the introduction, in 2025, of 24/7 faulty meter support, ensuring customers have access to assistance when they need it.

We are also accelerating the responsible adoption of ethical AI automation across customer channels and internal operations. These technologies strengthen service consistency, increase efficiency, and support higher quality outcomes for customers.

Alongside this, a continuous customer survey programme ensures a robust feedback loop is in place, enabling targeted improvements within agent coaching, service experience, and process refinement.

Operating within a highly regulated market, the business maintains an internationally recognised approach to compliance and governance. This ensures that customer protection remains firmly at the core of all operations, while sustaining a disciplined focus on quality, risk management, and transparent decision-making.

Supporting our customers – with extra help for vulnerable householders

We remain firmly committed to supporting customers in financially and non-financially vulnerable situations, ensuring they can access the right help at the right time. Our approach is built around a comprehensive network of assistance options designed to meet a wide range of needs, from essential billing support to more complex personal circumstances.

Customers can contact us through multiple channels (phone, webchat, and email) each designed to offer a personalised and accessible experience. Intelligent routing ensures that customers who require additional assistance are directed to specialist support teams, including those focused on prepayment off-supply issues, affordability concerns, and extra care needs. At the same time, we invest in the skills and confidence of our frontline teams, with all customer service agents trained to respond sensitively to a wide range of vulnerability indicators, including those linked to mental health. For prepayment customers, we continue to provide friendly credit periods and emergency credit solutions to help prevent disconnection and ensure continuity of supply.

Our partnerships play an important role in extending the support available. Through a dedicated contact line for Citizens Advice and other consumer support organisations, and strong relationships with organisations such as National Energy Action and local charities, our Third-Party Team are there to support these organisations in providing specialist support for our most vulnerable customers.

We also maintain a robust Priority Services Register ("PSR"), offering tailored support for customers who may struggle to manage their accounts for non-financial reasons. This includes services such as meter relocation, password schemes, free gas safety checks, accessible communications, and priority contact routes. To further improve accessibility, we make key customer communications, including bills, available in braille, large print, audio CD, and through partnerships such as Plain Numbers to support clearer, more inclusive information.

To help customers manage their energy use and household budgets, we offer a comprehensive range of flexible payment options, affordability support mechanisms, and energy efficiency advice. Where appropriate, customers are also signposted to additional third-party support, such as debt advice services, financial assistance organisations, and community-based resources. Our financial support offering includes both repayable and non-repayable options. These range from our Hardship Fund and prepayment voucher schemes to the Warm Home Discount ("WHD") scheme, emergency credit, and additional support credit.

Digital accessibility remains a priority as well: our award-winning app and redesigned website have been developed with inclusion at their core, making it easier for customers to manage their accounts and request help.

For those who need in person engagement, our national team of CLOs provides dedicated, home-based support to customers with the most complex needs. Above all, we are focused on early engagement, encouraging customers to contact us as soon as they need help so we can provide timely, tailored support or connect them with trusted third-party partners. This proactive approach ensures we can intervene earlier, deliver better outcomes, and continue to strengthen the protections available to our most vulnerable customers.

We support vulnerable customers with their energy bills through the WHD scheme. Now in its 15th year, the WHD scheme is the UK Government's main policy for tackling fuel poverty. The scheme continues to be delivered by energy suppliers, principally to qualifying customers, by providing rebates on electricity accounts to help when bills may be higher over the winter period. During scheme year 14, which operated from 1 April 2024 to 31 March 2025, we spent £43.2 million providing assistance to 287,754 customers by applying a rebate of £150 to their electricity account. In addition, during scheme year 14, £5.7 million of funding was provided to projects which provided financial assistance payments to customers and supported customers who had debt and third-party organisations to deliver industry initiative projects to provide a range of assistance to domestic customers. Our partners delivered energy efficiency advice, energy efficient white goods, and measures to improve the energy efficiency of the property where they lived. Other projects focused on further financial support providing fuel debt assistance and benefit entitlement checks.

The delivery of energy efficiency measures continued to be an important responsibility of our business, and 2025 was the twelfth year of delivery of the UK Government's Energy Company Obligation ("ECO") scheme. The ECO scheme has been fundamental to improving the fabric of British homes by supporting our pursuit of achieving net zero and focusing on reducing heating costs for the most vulnerable customers by improving the energy efficiency of properties. In July 2022, the ECO4 legislation came into effect with the original expectation that the obligation would run until March 2026.

In early 2026, the UK Government formally extended the ECO4 deadline out until December 2026. ECO4 has focused on the most vulnerable households in the least efficient homes (Energy Performance Certificates ("EPC") Bands E, F and G) and targets a whole house improvement project based on a fabric-first approach, addressing the structure of a building such as walls and windows before making changes to internal elements such as heating.

Group Strategic Report for the year ended 31 December 2025

ENGAGING WITH STAKEHOLDERS *continued*

This has seen a drop in the number of properties treated in comparison to previous obligation programmes, however the majority of those treated have been improved by a minimum of two EPC bands with multiple measures delivered to each home. In the November 2025 Budget statement, the Chancellor announced that there would be no future obligation programmes like ECO placed on energy suppliers, and the UK Government indicated that the funding for the ECO programme would cease to be placed on customer bills from 1 April 2026. With a well-established and mature ECO4 supply chain, 2025 delivery has continued to be strong, providing additional delivery of ECO4 activity in support of the changes introduced by UK Government to the Great British Insulation Scheme ("GBIS") delivering energy efficiency measures to customers as soon as possible, this will see our obligation targets delivered ahead of the original close date of the scheme ensuring that customers receive the maximum benefit of the energy efficiency improvement delivered to their property.

GBIS (previously known as ECO+) concluded in March 2026. GBIS was designed to complement ECO4 by delivering single insulation measures (such as a loft or cavity wall insulation) to hundreds of thousands of the least energy efficient homes in the lower council tax bands, as well as targeting the most vulnerable homes across the country. However, the scheme has not delivered as the UK Government envisaged. In 2025, the UK Government implemented changes to the GBIS with the aim of making the programme more deliverable and cost effective for 2025. These changes were introduced enabling the business to utilise the capacity available from the ECO4 supply chain to deliver more measures to more homes supplementing the legislated minimum delivery level of the GBIS programme. This legislative minimum delivery has been completed in 2025, three months ahead of the legislative deadline.

Leveraging new technologies: Customer experience

ScottishPower is leading the way in the ethical application of AI, using advanced technology to enhance customer interactions, strengthen service quality and deliver faster, more personalised support.

By embedding AI across key customer touchpoints, we are transforming how we understand customer needs and how effectively we meet them. Our Customer Contact Analysis Insight platform provides deep, data driven understanding of customer conversations. By analysing sentiment, themes and patterns, it enables teams to identify emerging issues, address root causes and make proactive improvements that enhance the overall customer experience.

AI is also improving efficiency and service consistency by, for example, supporting agents through drafting tailored and accurate customer responses, while maintaining a high standard of communication.

At the same time, our real-time AI assistant, Ask Bruce, supports frontline agents during customer calls by surfacing relevant information and guidance instantly, helping to improve first-time resolution. Across our business, AI-powered analytics bring these insights together to track performance and emerging trends. This integrated approach enables faster decision-making, empowers teams with actionable intelligence and supports a continuous cycle of service improvement.

Leveraging new technologies: Innovative products and services

Helping customers reduce bills and emissions is central to our strategy. Our customer offerings combine innovative technology with practical benefits. Even our mascot, Bruce the Butterfly, is a symbol of ScottishPower's green transformation, helping us to drive increased engagement and awareness:

- **Power saver:** Our Power Saver initiative engages, educates and rewards customers for shifting their electricity use to times of lower demand or higher renewable generation. More than half a million customers have joined 'Half Price Weekends', accessing 50% off electricity every weekend between 11am and 4pm and collectively saving over £10 million to date. The initiative has received strong customer feedback and external recognition, winning the Behaviour Change Campaign of the Year Award at the 2025 UK Green Business Awards.
- **EV optimise:** EV Optimise is our innovative smart-charging solution designed to lower the cost of charging electric vehicles at home. Customers simply set the required charge level and time, and ScottishPower automatically optimises charging sessions to periods of lower grid demand.
- **My ScottishPower loyalty programme:** Following a successful launch at the end of 2024, our loyalty programme continued to grow in 2025, reaching over half a million registered customers. My ScottishPower rewards customers from the moment they join, enabling them to earn points that can be exchanged for energy credits. Benefits increase the longer a customer stays with ScottishPower.
- **Low-carbon technology installations:** Across solar, battery and heat pump systems, we offer personalised system designs tailored to each home, with installations carried out safely and compliantly by approved partners. These installations are supported by tailored tariffs to maximise value for customers.
- **Public EV charging infrastructure:** Investing in public charging remains a key commitment, with over 700 EV sockets either installed or in the pipeline. Our network availability remains above 99%, and a new subscription product launched in 2025 aims to improve utilisation and reward regular users.
- **Home services:** We provide a range of maintenance, service and insurance products to ensure home heating systems and appliances operate efficiently and reliably, helping customers extend asset lifespan and reduce environmental waste.
- **Energy insights app:** Customers with smart meters can access detailed insights into their energy use and receive personalised usage tips, with many reporting annual savings of up to 5%.

External recognition: Independent validation of our leadership

ScottishPower's Customer business is consistently recognised for excellence in customer service, innovation, compliance and sustainability.

- **Citizens Advice supplier scorecard:** During 2025, we continued to deliver a strong service to customers by offering quick response times through all contact channels. For example, call wait times were less than 90 seconds throughout 2025 and our turnaround time on emails was over 96% within 48 hours.
- Our customer service team also won several awards in 2025. Two Silver Awards at the Global Stevie Awards and a Silver at the UK Customer Service Awards. This recognised all the excellent work we have been doing to deliver a quality service to our customers.
- Winning 2025 Compliance Team of the Year – Non-financial Services, at the ICA awards, illustrates the commitment to doing things the right way.
- Vehicle charging innovation of the Year (2025): Awarded for EV Optimise smart charging solution.

Group Strategic Report for the year ended 31 December 2025

ENGAGING WITH STAKEHOLDERS *continued*

Digital convenience: ScottishPower app performance vs competitors

Our digital app continues to deliver for our customers, growing in adoption every year and consistently outperforming competitors. In 2025, it earned five international awards that recognised both its outstanding customer experience and its ongoing innovation, including: a Silver International CXA Award for best user experience; the Autotech Breakthrough Award for overall vehicle charging innovation of the year; a Silver Stevie Award for achievement in customer satisfaction for Power Saver; the Institute of Customer Service award for best application of technology; and a Silver award at the European Contact Centre and Customer Service Awards for the most effective use of technology to enhance the customer experience. This industry recognition is matched by customer sentiment, with the app achieving top ratings of 4.8 stars on both the Apple App Store and Google Play.

ScottishPower's smart meter rollout is central to our digital-first strategy, enabling customers to take control of their energy usage and unlock savings.

- Scale and transition: in 2025, ScottishPower installed 338,000 smart meters under the framework that ended in 2025. Engagement with customers to accept smart meters remains a significant challenge, but these meters are a key national infrastructure and play a vital role in supporting the transition to net zero.
- A smart energy system uses modern digital technology to understand when customers across Britain use energy, as well as how much they use (enabling less energy waste).
- Smart meters offer many benefits over traditional meters – allowing customers the ability to record and track consumption without the need for meter readers attending their property, time of use tariffs and access to load switching benefits such as ScottishPower's 'Half Price Weekends' offering.
- There was a significant focus on the phase out of radio teleswitch ("RTS") meters in 2025, and ScottishPower undertook significant efforts to protect customers from impact resulting in us reducing our RTS portfolio from 76,000 in January 2025 to 25,000 by December 2025, by replacing RTS supported traditional meters with smart meters where appropriate.
- Our smart meter installation engineers often work in challenging conditions carrying out a vital service that is highly rated by our customers, with customer satisfaction scores of the installation process of 4.8 out of 5.0.

“Being collaborative”

GOVERNMENT AND REGULATORS

Governments and regulators play a central role in shaping the energy sector. We engage with them directly and through trade associations, responding to issues of concern and providing expertise to support policy development. Through this engagement, we aim to contribute to the delivery of a UK energy system that functions in the interests of customers now, and in the future, including achievement of the UK and Scottish Governments' net zero decarbonisation targets.

Following the launch of the UK Government's Clean Power 2030 initiative in late 2024, we have continued to engage with them on their approach towards energy policy and meeting the net zero challenge. This has included engaging on the detail of its plans for Clean Power 2030, and as part of the transition towards building a low-carbon economy.

We submitted our final business plan for the RIIO-T3 electricity transmission price control in December 2024 and have continued to engage constructively with Ofgem through 2025 including on its RIIO-T3 draft determination published on 1 July 2025. This engagement culminated in Ofgem's Final Determination on 4 December 2025, which now forms part of the wider RIIO-T3 price control covering the electricity transmission, gas transmission and gas distribution for the period 1 April 2026 to 31 March 2031. The unprecedented increase in investment required in RIIO-T3 (over three times the level of our previous transmission price control) will bring new challenges in terms of skills, supply chain and financeability. We have also started to engage with Ofgem on its plans for the RIIO-ED3 electricity distribution price control which will run from 2028 to 2033, including responding to Ofgem's Sector Specific Methodology Consultation published on 8 October 2025.

We have contributed to the wider external debate about the regulatory and industry measures required to tackle the critical backlog in network connections for new renewable generation projects, including the work being undertaken by the NESO and Ofgem to move towards a 'first ready, first needed, first connected' approach. Ofgem published a decision to approve the NESO's proposed package of reforms in April 2025 and the licence changes took effect in June 2025, with further reforms under consideration.

The need to accelerate the planning and consenting process for major new energy infrastructure projects was a key feature of our engagement with the UK Government and the devolved administrations. In March 2025, the UK Government introduced provisions as part of the Planning and Infrastructure Bill to amend the overarching Electricity Act 1989 to give powers to the Scottish Government over consents for electricity infrastructure in Scotland. The Bill received Royal Assent in December 2025 and provides for new powers to set up an energy bill discount scheme for those close to electricity transmission infrastructure.

We continue to engage with the UK Government on the need to ensure deployment of offshore wind at scale and in a timely way to progress towards meeting the ambition for clean power by 2030, with the UK Government recognising that this needs to be the backbone of a clean power system in Britain. Following the successful sixth CfD auction round ("AR6") in summer 2024 which awarded 9.6 GW of renewable generation capacity, we engaged with the UK Government on reforms to the CfD regime ahead of AR7, including extending CfD durations from 15 to 20 years, the design of the new CfD Clean Industry Bonus scheme for offshore wind, removing the planning consent requirement for fixed-bottom offshore wind and a new mechanism enabling the Secretary of State for Energy Security and Net Zero to increase the auction budget in light of submitted bids. AR7 was finally held in November 2025 and in January 2026 awarded twenty-year contracts to a number of participants for four fixed-bottom offshore wind projects (totalling 8.2 GW) and two floating offshore wind projects (totalling 192.5 MW).

We also continued to engage with the UK Government on its Review of Electricity Market Arrangements which considered a range of longer-term reform options for the 2030s and beyond to ensure that the British electricity market is best placed to deliver a secure, efficient and cost-effective decarbonised power system based on a high volume of intermittent renewable generation. Having raised concerns that one of the options under review, a move to regionally varying wholesale electricity prices ('zonal pricing') could risk significant delay and disruption to the UK Government's ambition for delivering clean power by 2030, we were pleased that they decided to rule out zonal pricing in its July 2025 update. The focus has now

Group Strategic Report for the year ended 31 December 2025

ENGAGING WITH STAKEHOLDERS *continued*

turned to a more evolutionary programme of Reformed National Pricing (“RNP”), with the Government having published an RNP Delivery Plan in April 2026. Some workstreams are already underway, such as the development of a Strategic Spatial Energy Plan by the NESO.

With retail energy prices in 2025 still around 40% higher than they were four years ago and many domestic consumers still facing severe cost of living pressures, household energy debt across suppliers has further increased from £3.8 billion in Q3 2024 to £4.5 billion in Q3 2025. We continue to work with the UK Government and Ofgem to ensure that consumers who are struggling to pay their bills receive appropriate support, particularly the most vulnerable. This includes the design of Ofgem’s Debt Relief Scheme which will require suppliers to write off debt of eligible customers built up during the energy crisis. We also engaged with Ofgem in its review of the price cap allowance for operating costs, with its decision in May 2025 including increased allowances for debt-related costs. We have also commissioned further research from economic consultants, Frontier Economics, and engaged with the UK Government to explore how additional support could be provided for domestic energy efficiency measures for those on low incomes which we believe will have a critical role in addressing long-term energy affordability challenges for those at risk of fuel poverty.

In this context, we were pleased that the Chancellor’s Autumn Budget in November 2025 announced a range of measures that would reduce average household energy bills by around £150 from April 2026, together with a further £1.5 billion public spending to help tackle fuel poverty through the Government’s Warm Homes Plan, providing a total of nearly £15 billion in public financing.

Further information in relation to engagement with government and regulators is set out in the ScottishPower divisional sections of the Strategic Report.

“Being responsible”

SUPPLIERS AND CONTRACTORS

As part of our mission for a better future, quicker, we are always looking for new suppliers and contractors, and for ways to improve our working relationships with our existing suppliers and contractors. We have a broad and diverse supply chain and during 2025, we awarded contracts with a cumulative value of around £3.8 billion. Our suppliers have a key role to play in the delivery of our projects and services that we are undertaking to provide a low-carbon future for the UK. We aim to develop and maintain strong relationships across our supply base with a focus on health and safety, quality, cost and sustainability. We expect our suppliers to operate to a high standard including working in an ethical and sustainable manner, and we have a range of policies that all suppliers must adhere to, including the ScottishPower Code of Conduct for Suppliers. We have built in cyber security checks and monitoring as part of our tendering and supply chain relationships.

In 2025, we maintained our focus on having sustainable suppliers using our supplier risk management system, Go Supply. This system has provided significant additional insight into our supply chain. We have used this information to monitor and report to the board of directors of SPL (“SPL Board”) on the sustainability of our main suppliers, and to work closely with those suppliers that we have identified as needing support through improvement plans and guidance. During 2025, we were pleased to report that 95% of our main suppliers are considered sustainable with 98% of the contracts awarded being to these sustainable suppliers. More broadly, engaging proactively with our supply chain is key in ensuring positive outcomes for both us and our suppliers, and we seek to engage specifically with suppliers through a variety of methods. For example, we continue to contact a small sample population of suppliers who showed low sustainability scores. The initiative was designed to see if we could support those suppliers in improving those scores and we continue to be pleased with the overall positive response.

Engagement with our supply chain is always a critical activity for us but has become even more important as we adapt to geopolitical and macroeconomic challenges (refer to the ‘Group principal risks and uncertainties’ section for further details). In order to address any concerns on capacity and availability of the supply chain that could impact delivery we have been taking a longer-term approach on contracting. In 2025 we commenced with the allocation of projects in the strategic agreement signed in 2024 in Energy Networks. The strategic agreement with 19 suppliers secures capacity and commitment for an estimated £5.4 billion of transmission projects over the next ten years which is a key strategy. We are securing manufacturing slots for transformers through to 2032 delivery from a range of suppliers to ensure diversity in the supply chain. In offshore wind we are ensuring that we have supplier commitments prior to participating in UK Government’s CfD auction rounds.

COMMUNITY AND ENVIRONMENT

Refer to ‘Sustainability’ section of the Strategic Report for further details.

INNOVATION

Innovation remains at the core of our drive towards our decarbonised, connected smart energy future. By championing innovative technologies, smarter digitalised electricity networks, bringing down the costs of decarbonisation and ensuring that no communities are left behind on the road to net zero, we continue to lead by example in making sure clean, affordable energy is available to all.

Our model of open innovation recognises the value for our business of harnessing external ideas and expertise. Through this strategic approach, we engage and collaborate with partners, competitors and other organisations, generating ideas and inspiration to further Britain’s decarbonised future.

We continue to work with the University of Strathclyde and SSE plc through the Technology and Innovation Centre’s Scottish Low Carbon Power and Energy Partnership. For more than a decade, this industry-leading programme has provided us with focused engagement directly with academic experts and industry counterparts, allowing ScottishPower to conduct valuable research and development in areas including the operation and maintenance of wind turbines, digital electricity networks and enhanced data analytics for optimised energy trading. New areas of research in 2025 have incorporated a strategic approach to project identification, ensuring that the focus on electricity networks, electrification of demand and renewable energy is reflected in our research partnerships.

As well as our long-standing partnership with the University of Strathclyde, we continue to work with other academic partners, particularly Imperial College London (“ICL”), one of the UK’s finest academic research institutions. As members of ICL’s flagship industry engagement programme, Imperial Business Partners, we can navigate the departments and faculties of ICL, accessing research expertise, creating research and development projects, scouting the university’s clean technology start-up ecosystem and attracting graduate and post-graduate talent to the Group.

Group Strategic Report for the year ended 31 December 2025

INNOVATION *continued*

Energy Networks

At Energy Networks, we are committed to redefining industry standards and leading the charge in energy innovation. Our unwavering dedication to progress is reflected in our ability to consistently exceed expectations and deliver meaningful outcomes.

Innovation is not just a concept, it's embedded in everything we do. We focus on creating tangible value for our customers while accelerating the UK's journey toward net zero. Throughout regulatory year 2024/25, we have made significant strides in integrating innovation into our daily operations, launching and scaling projects that address real-world challenges.

Our collaborative approach brings together a diverse ecosystem of partners (including academic institutions, technology providers, advisory bodies, and industry stakeholders) to co-create solutions that are rigorously tested in live environments. This ensures our innovations are not only technically sound but also aligned with regulatory frameworks and customer needs.

We remain deeply committed to transparency and stakeholder engagement, fostering open dialogue to shape the future of energy networks. Together, we are building a smarter, cleaner, and more resilient energy system for generations to come. This year, we have continued to work on our portfolio of flagship projects funded under Ofgem Strategic Innovation Fund with £21 million secured. These projects facilitate building our leadership in whole energy system, network resilience and power electronics.

- Our Predict4Resilience ("P4R") project has made significant advances towards an AI-driven solution for predicting faults on the electricity network caused by severe weather; working closely with our control room staff to run live trials of the system. P4R will help Energy Networks to mobilise engineers and equipment ahead of a severe weather event, to shorten the time that power supplies could be disrupted. This project is in collaboration with SIA Partners, the University of Glasgow, and Scottish and Southern Electricity Networks ("SSEN").
- Our D-Suite project, in partnership with UK Power Networks, Newcastle University and Integrated Powertech has been exploring the feasibility of using power electronic technologies on low-voltage networks to support the growth in low-carbon technologies by making available more capacity whilst mitigating costly network reinforcements.
- Our Blade project has investigated how offshore wind farms can be used to restore the electricity network following a national power outage. To deliver this, we have partnered with an industry advisory panel to influence the design of potential commercial mechanisms to be adopted industry wide. This project is in collaboration with The Carbon Trust, SSEN Transmission, the University of Strathclyde and TNEI Services secondment scheme.
- The Flexible Railway Energy Hubs project is working to demonstrate a novel microgrid solution for predictable and cost-effective use of power on the railway network, helping to pave the way for a significant reduction in greenhouse gas ("GHG") emissions. This project is in collaboration with GE Energy Power Conversion, Ricardo AEA, and the University of Leeds.

Building upon our existing leadership in areas such as power electronics, network resilience and data and digitalisation, we have developed a number of projects funded under Ofgem's Network Innovation Allowance ("NIA"). We are working with academic partners, Small and Medium-sized Enterprises ("SME") and large companies. Some of the NIA flagship projects that we initiated this year are:

- ORION has been awarded £0.8 million to develop an asset management tool for our fleet of transformers, with integrated data modelling to forecast asset health and maintenance requirements. We will be collaborating with Indra Soluciones Tecnologias to deliver this project.
- Device Management Platform has been awarded £2.5 million to work with DNV Limited to deliver a platform which will provide full visibility of smart operational technology devices, to facilitate proactive resolution of defects and improve data quality for asset condition monitoring.
- Intelligent Connections Explorer has been awarded £1.4 million across two phases to create a tool to bring a holistic view of the network area for new connections, through integration of substation capacity estimation, costs and timelines for new connections, and optimal route planning tools. This has been developed in partnership with DScience Ltd.

In addition, one of the proposals getting developed will establish the Modelling, Analysis and Simulation Innovation Centre as a holistic innovation accelerator for the complex challenges the power networks face in modelling, analysis and simulation. We will be working with partners including the SuperGrid Institute, eRoots, the Polytechnic University of Catalonia, Grid Stabilities, the University of Manchester, the University of Cardiff and the University of Strathclyde.

Renewable production

Our strategic approach to innovation remains focussed on identifying and implementing technologies and solutions which enable us to deliver wind projects faster, more efficiently and at a lower cost, helping us to drive towards a sustainable energy system. We also continue to look external and work with partners to support our innovation activities, working with academics to explore new and diverse opportunities to support the decarbonisation of the electricity grid through new technologies.

During 2025, Renewable production onshore has pioneered a UK-first Aviation Detection Lighting System ("ADLS"), which will be vital to the future deployment of onshore wind farms in the UK. The trial was conducted in collaboration with one of our partners and included the successful installation of two ADLS at an operational wind farm, coordinated flight trials and data collection which will be used as the basis to inform industry engagement and support.

Renewable production offshore innovation activities are strategically aligned to deliver maximum value across the entire project lifecycle – development, construction, and operation. Our focus is on driving measurable cost reductions and efficiency gains at every stage, ensuring that innovation translates into tangible benefits for our projects and the wider energy transition.

Key priorities include deploying next-generation turbine and foundation technologies and improving grid integration through advanced systems and smart grid solutions. Reducing costs via automation, robotics, and AI-driven predictive maintenance for offshore operations to reduce emissions and fuel costs and to optimise operational performance to extend asset life. Developing sustainable practices for environmental coexistence are also critical. These initiatives directly support our ambition to lower the levelised cost of energy and maintain the UK's leadership in offshore wind.

Market trends reinforce the urgency of these efforts. Supply chain resilience and design standardisation are essential to achieving cost competitiveness. Global inflation and supply chain pressures continue to drive up project costs, making innovation a key lever for delivering affordable, secure, and sustainable energy. Our approach prioritises technologies and processes that reduce complexity, improve installation methods, and enable smarter operations and maintenance strategies.

Group Strategic Report for the year ended 31 December 2025

INNOVATION *continued*

Delivering this vision requires collaboration across a diverse innovation ecosystem. We actively engage with national forums such as Carbon Trust and the Offshore Renewable Energy Catapult to shape industry-wide solutions. We partner with universities worldwide to advance research and development and build the skills needed for the future workforce. Public funding mechanisms, including Innovate UK and European programs, allow organisations to accelerate high-impact projects and share learnings across the sector. We also work closely with SMEs to strengthen the UK supply chain, supporting company accelerators and opening our sites for trials and validation of new technologies. These partnerships ensure that innovation is not only strategic but also inclusive, strengthening supply chains, fostering growth and resilience across the industry.

By targeting innovation activities that deliver cost reductions and operational excellence, ScottishPower is committed to driving progress in offshore wind and supporting the transition to a low-carbon future.

Customer business

The division continues to innovate to make net zero solutions accessible and affordable through our nationwide installation service for air source heat pumps, solar panels, batteries and EV charging, in conjunction with our home energy management solutions.

To help increase the pace of change to a better future, our Smart Solutions team are supporting communities and organisations on their path to net zero, ensuring that nobody is left behind. We have developed an innovative partnership with Renewable production's onshore department, working with communities in receipt of wind farm community benefit funding to support their net zero ambitions. Through positive engagement we are trialling innovative engagement strategies, supporting communities to deliver energy efficiency initiatives including the installation of low-carbon technologies such as heat pumps and solar panels. The Smart Solutions team use their knowledge and expertise, supported by local organisations and people, to identify and implement local smart energy solutions that reflect the specific needs of each community.

We are progressively implementing an industry-leading home energy management system to give customers better control of low-carbon technologies and insight on overall energy consumption. The solution will enable customers to automate, control and optimise their low-carbon technologies, monitoring home consumption with near real-time visibility of energy usage within the ScottishPower customer app.

Our EV Optimise solution exemplifies how smart technology can deliver meaningful environmental and customer benefits while supporting a more flexible and resilient energy system. EV Optimise enables electric vehicle owners to automatically charge during the greenest and most cost-effective times of the day, helping to reduce carbon emissions and energy costs. By intelligently taking control and scheduling charging sessions via the ScottishPower app, the system not only delivers savings but also plays a vital role in alleviating grid constraints by shifting demand away from peak periods. In recognition of its impact, EV Optimise was named Overall Vehicle Charging Innovation of the Year at the 2025 AutoTech Breakthrough Awards, highlighting ScottishPower's leadership in sustainable transport solutions. EV Optimise is helping thousands of households across the UK reduce their carbon footprint while supporting the wider decarbonisation of the energy system. It reflects our broader innovation strategy, combining customer-centric technology with environmental responsibility to deliver real-world benefits for people, communities, and the planet.

Customer business is also helping customers to save money on their energy bills by shifting electricity demand to off-peak times through initiatives like 'Half Price Weekends' and 'Power Saver'. Half Price Weekends incentivises customers to shift their electricity use away from peak times during the week, to cheaper, greener off-peak times, normally at the weekend. Power Saver lets eligible smart meter customers opt in via the ScottishPower App to reduce their consumption at specific peak times when it is required to balance supply and demand on the grid. As well as reducing their energy usage and having a positive impact on their carbon footprint, customers are rewarded for every kilowatt hour ("kWh") they turn down, when compared to their baseline usage. We continue to be a partner in Project EQUINOX, a Network Innovation Competition heat pump flexibility project which is nearing completion. The final reports include recommendations about how DNOs can benefit from heat pump flexibility to help manage peak loading on the electricity network going forward.

As part of our ongoing customer service innovation, we have recently launched AI-powered features for the call centre agents, to help them respond to customer queries more effectively. Our AI Assistant called Bruce is a chatbot which uses OpenAI to interpret questions from the agent and provide a response based on our customer facing support centre and internal training material. Agents can ask Bruce about anything, from how to process a refund, to giving energy efficiency information to the customer to help them reduce their bills. We are now working on the capability to provide real-time prompts to the agent based on the conversation they are having with the customer. This will assist the agent in identifying key points discussed and provide a response or take the correct action.

We are a supporting partner on a number of innovation projects that are developing inclusive smart solutions. In the Warm Home Prescription project, led by Energy Systems Catapult ("ESC") we are directing the benefits from our ECO4 whole-home upgrade programme to support health and social care provision. As part of the Inclusive Smart Solutions Project, also led by the ESC, we have helped develop accessible customer interfaces with an app-based flexibility service. Finally, we worked with SP Energy Networks and East Ayrshire Council on the Equiflex project to find the best ways to extend consumer access to flexibility services.

On the Innovating Losses Analysis and Detection Strategic Innovation Fund project we are helping SSEN to develop modern data techniques to better detect electricity losses including energy theft. The techniques developed could help to protect communities from the safety incidents that can arise from meter tampering associated with energy theft.

Group Strategic Report for the year ended 31 December 2025

ETHICS AND FINANCIAL CRIME COMPLIANCE

Bribery is a widespread issue with significant negative impact. We aspire to a strong best practice anti-bribery and anti-corruption framework that allows us to do business with confidence and minimises the risk of bribery or corruption in our operations.

Our anti-bribery and anti-corruption framework is based on a solid governance structure that creates a senior-level focus on managing compliance risks. The SPL Board has ultimate responsibility in this area and has designated the ScottishPower Audit and Compliance Committee ("SP ACC"), which is independent of executives, as having primary responsibility for overseeing compliance activity and reporting to the SPL Board on its effectiveness. A fully independent compliance unit ("SPL Compliance Unit") is in place, reporting to the SP ACC, along with an autonomous Internal Audit and Risk Department. The SPL Compliance Unit's remit is established through a set of internal regulations, which place duties on it to act independently and to report material issues to the SP ACC. The SPL Compliance Unit also has a duty to co-ordinate with the Iberdrola Group Compliance Unit.

Ethics is at the heart of our business model and is embedded in our corporate governance structure and in our policies and procedures for managing our suppliers. The SPL Board has approved the ScottishPower Code of Conduct and Disciplinary Rules ("Code of Conduct"), which reflects the Ethical and Basic Principles of the Iberdrola Group. The Code of Conduct establishes the expected behaviours for ScottishPower employees and directors and sets a zero-tolerance approach to non-compliance. Similarly, the ScottishPower Code of Conduct for Suppliers ("Supplier Code of Conduct") sets the expectations of our suppliers and representatives in terms of ethical behaviour and compliance with all laws and regulations.

The ENWH Group forms part of the ScottishPower Group and therefore ultimately reports, via the ENW Group Audit and Compliance Committee ("ENW ACC") to the SP ACC. The ENWH Group's Governance and Sustainability System follows similar principles and standards as that of SPL, also embedding the Ethical and Basic Principles of the Iberdrola Group. The ENWH Group's Compliance framework remains, for the time being, separate from, but aligned to, the ScottishPower Compliance framework. It is anticipated that this will become amalgamated over time, with careful and timely development of programme elements on a risk basis. The focus for 2025 was continued support, guidance and enhancement of the ENWH Group's compliance approach, on a priority basis.

We maintain a strong Anti-Bribery and Corruption Policy and expanded this in late 2025 into a wider Financial Crime Policy, covering fraud and other financial crime in addition to our Anti-Bribery and Anti-Corruption commitments. Together with our more detailed Compliance and Ethics Manual, this ensures that employees understand their obligations, have the appropriate means to comply with the policy and create a clear route for action in case of a breach.

The SPL Compliance Unit manages a risk assessment process which incorporates fraud, bribery and corruption risks from across the Group on a phased three-year review cycle, and identifies any required actions or mitigation to address those risks. In 2025, we further reviewed and refined the in-depth SPL Bribery Risk Assessment which was developed in the previous year. We also undertook an in-depth standalone Failure to Prevent Fraud Risk Assessment, recognising the new requirements of the Economic Crime and Corporate Transparency Act 2023. Overall, we continue to conclude that the risk 'criticality' (level of risk taking into account controls in operation) was 'low' across each of the divisions. The outputs of the risk assessment were communicated to the SP ACC. The ENWH Group also maintains a Fraud Risk Assessment as part of its governance regime which is refreshed every three years. This was completed in 2025, in close consideration of the SPL approach, to ensure a consistent and aligned approach across the team. The ENWH Group concluded that the measures in place were adequate to manage the identified risks.

Compliance measures are in place to support employees in their roles based on risk, including training and awareness activities aligned to employees' obligations. ScottishPower employees are asked to undertake our overarching Code of Ethics training on a regular basis, which includes education on anti-bribery and anti-corruption, and targeted coaching is provided for those functions and roles which are identified as needing greater focus or guidance. The SPL Compliance Unit will work with ENWH Group colleagues to support the development and roll out of similar compliance training going forward into 2026.

Anti-bribery and anti-corruption controls are built in at all stages across the supplier management journey, from engagement and selection to contract award, and ongoing monitoring and improvement. ScottishPower suppliers are subject to ongoing compliance risk screening. We utilise a Dow Jones risk screening tool to assess compliance risks at key points across the supplier life cycle, starting from the point of initial registration in the system, and daily for the existing supplier population. New and identified risks are assessed and appropriate action taken to mitigate the risk for that supplier. Information on supplier compliance risk is held directly in the purchasing and payment systems, allowing appropriate decision-making at each critical process step in the supplier relationship. This includes an active role for the SPL Compliance Unit in reviewing and approving payments to third parties for compliance risks. The ENWH Group's approach is aligned to this, using ScottishPower systems to manage and monitor key contracts, with a separate but complementary system for other contracts at present.

We maintain a 'speaking out' service, with several routes for employees, suppliers, stakeholders, or the public to raise concerns confidentially or anonymously, with the ENWH Group maintaining a separate but complementary service. We have a clear policy of non-retaliation for any person who makes a report through the speaking out service in good faith. Our compliance programme retained Compliance Leadership Verification status in 2025 as assessed by independent firm Ethisphere. We obtained ISO 37001 certification for our anti-bribery and anti-corruption programme in 2023 and retained this in 2025. ENWH Group colleagues are working to align with this approach and plan to seek similar assurance in future years.

HUMAN RIGHTS

Respect for human rights is an intrinsic element of our governance and sustainability system, forming part of our core values. We maintain a clear hierarchy of policies that are designed to ensure that ethical, sustainable values and fair labour practices are at the heart of our business operations, which includes the supplier code of conduct, the ScottishPower Policy on Respect for Human Rights, and our Purchasing Policy. As previously noted, the ENWH Group's Governance and Sustainability System follows similar principles and standards as that of SPL, also embedding the Ethical and Basic Principles of the Iberdrola Group and similar core policy principles.

The term 'modern slavery' covers both slavery and human trafficking. We are committed to human and labour rights and to eliminating modern slavery that could in any way be connected to our business. In accordance with the Modern Slavery Act 2015, we maintain our appropriate Modern Slavery Statements, which are subject to annual approval by the SPL Board and the board of directors of North West Electricity Networks (UK) Limited ("NWEN UK"). The 2024 Statement covering the twelve months to 31 December 2024, approved by the SPL Board, is published at www.scottishpower.com. Likewise, NWEN UK has published its own Modern Slavery Statement, which covers the twelve months to 31 March 2025 at www.enwl.co.uk.

Group Strategic Report for the year ended 31 December 2025

HUMAN RIGHTS *continued*

In 2025, we retained our membership of the Slave Free Alliance (“SFA”), an international social enterprise, wholly-owned by the global anti-slavery charity, Hope for Justice. SFA is a not-for-profit organisation working in collaboration with businesses to enhance and support their wider framework around ethical trade, sustainability, compliance, corporate social responsibility, and human rights. This membership provides a valuable opportunity to educate and inform us on how to address potential issues of modern slavery in our supply chain. The ENWH Group maintains its own membership of the SFA and has been an active member of the Utilities Against Slavery Group established by the SFA.

For all individuals recruited by us, we check their eligibility to work in the UK (including passport verification) and conduct pre-employment background checks, which can help to identify concerns or potential forced labour issues.

Suppliers registered in our payment system are subject to screening for any potential human rights or modern slavery issues, both at the point of registration with us and during their contract. Specialist third party due diligence will be used in some higher risk contracts when needed. Our suppliers are required to agree to terms requiring them to operate ethically in relation to the recruitment, management and compensation of employees, in compliance with our Supplier Code of Conduct, as well as relevant modern slavery legislation. Suppliers are required to ensure that any sub-contractors are also obliged to meet these obligations. The ENWH Group also require suitable disclosure checks to be performed by suppliers on operatives who interact with customers.

Our confidential ‘Speaking Out’ service includes an initial control, which requires every report to be assessed for potential human rights impacts before it can be recorded. Certain categories of claims are automatically considered to have a potential human rights issue and are being recorded as such. We also monitor suppliers for potential human rights issues as part of our third-party screening. In 2025, we admitted 12 claims for processing through the SPL Speaking Out service which were recorded as having a potential human rights issue based on the root cause. However, we did not identify any claims or cases relating to material or significant human rights impacts that triggered precautionary measures. The ENWH Group did not identify any material or significant human rights concerns through its own whistleblowing routes.

HOW SCOTTISH POWER LIMITED PERFORMED

Financial highlights

- Revenue £6,516 million
- Operating profit £1,798 million
- Capital investment £3,148 million

2025 Group operating performance

The table below provides key financial information relating to our performance during the year. Further detail is provided in the individual divisional sections of the Strategic Report.

Financial key performance indicators (“KPIs”)	Revenue (Note (a))		Operating Profit (Note (a))		Capital Investment (Note (b))	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Scottish Power Limited	6,516	6,583	1,798	1,900	3,148	2,249

(a) The Group’s revenue and operating profit as presented on the Consolidated income statement on page 66.

(b) Additions to Intangible assets (refer to Note 5(a) on page 83) Property, plant and equipment (refer to Note 6(a) on page 86).

Revenue decreased by £67 million, to £6,516 million in 2025. While the first-time consolidation of the ENWH Group contributed £524 million, this uplift was more than offset by a reduction in customer revenues. Had the Group obtained control of the ENWH Group on 1 January 2025 and therefore consolidated from this date, Revenue per the Consolidated income statement would have been £103 million higher. The decline in customer revenues reflects the ongoing impact of the 2022 decision to exit the Industrial and Commercial (“I&C”) supply market, and lower domestic customer volumes.

Operating profit for 2025 was £1,798 million, a decrease of £102 million on the prior year. The first-time consolidation of the ENWH Group contributed an increase of £268 million to operating profit, however, this was more than offset by the following adverse factors:

- Reduced contribution from Customer business of £167 million, driven by increased procurement cost pressures, higher bad debt costs, and lower domestic customer numbers.
- Development project write-offs of £85 million in the Renewables business, together with lower production revenues arising from reduced energy prices.
- Higher regulatory expenditure and increased depreciation in the Networks business, reflecting ongoing investment, along with the non-recurrence of a £22 million movement in a regulatory provision release in the prior year (refer to Note 15(a) on page 118).

Capital investment

ScottishPower’s capital investment increased by £899 million, reaching £3,148 million in 2025. The uplift reflects:

- higher investment within Energy Networks, driven by the progression of RIIO programmes and the acquisition of the ENWH Group; and
- increased investment in Renewable production, where construction activity continues across offshore sites.

Statement of financial position

Net assets of the Group increased by £1,249 million in the year to £9,643 million. This reflects the impact of the statutory profit of £1,514 million which is offset by total dividends paid of £571 million to the parent and non-controlling interests.

Capital and debt structure

The Company is funded by a combination of debt and equity; all equity is held by SPW Investments Limited (“SPWIL”). Our financing structure is determined by our position in the wider Iberdrola Group. As stated overleaf, we can obtain funding via the liquidity resources maintained at the Iberdrola Group. The Company holds investment grade ratings with Moody’s Investor Services (Baa1) and S&P Global Ratings (BBB+). The external borrowings are subject to financial covenants, and the Group remained in full compliance with these covenants during 2025. Details of our financial risk management policy are set out in Note 10.

Group Strategic Report for the year ended 31 December 2025

HOW SCOTTISH POWER LIMITED PERFORMED *continued*

Alternative performance measures

In reporting financial information, the Group presents alternative performance measures, ("APMs"), which are not defined or specified under the requirements of international accounting standards ("IAS"). The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IAS measures, provide stakeholders with additional helpful information on the performance of the Group. APMs are used by the SPL Board and management for planning and reporting. The measures are also used in discussions with the investment analyst community and credit rating agencies.

Liquidity and cash management

Net debt is an APM utilised by Iberdrola and ScottishPower and is linked to ScottishPower's liquidity and cash management procedures. We operate and manage a centralised cash management model within the UK, with liquidity being managed at the Company level. Our liquidity position and short-term financing activities are integrated and aligned with Iberdrola's.

The Iberdrola Group's objective is to retain sufficient liquid resources and facilities to cover anticipated cash flow requirements for a period in excess of twelve months; at December 2025, liquidity in the Iberdrola Group was in excess of €21 billion which can be utilised, if required, to fund our activities.

Net cash flows from operating activities increased by £410 million to £2,341 million for the year, as detailed on page 69. Net cash flows from investing activities have increased by £1,899 million. This is primarily due to the acquisition of ENWH in 2024. Net cash flows from financing activities decreased by £2,056 million primarily due to the divestment of a 50% stake in the EA3 project.

As detailed in the table below, cash and cash equivalents increased by £143 million to £350 million, including £61 million of restricted cash. Overall net debt increased by £362 million to £9,809 million principally due to an overall net increase in Loans payable.

Analysis of net debt	Notes	2025 £m	2024 £m
Cash and cash equivalents	(a)	350	207
Loans receivable from related parties	(b)	722	–
Loans payable to related parties	(c)	(6,966)	(7,917)
Loans payable to external counterparties	(c)	(3,206)	(1,253)
Japanese Yen collateral	(d)	(2)	(8)
Lease liabilities	(e)	(627)	(621)
Accrued interest	(c)	(135)	(107)
Interest receivable from related parties	(b)	18	–
Cross-currency swap	(f)	3	10
Interest rate swap	(f)	34	242
Net debt	(g)	(9,809)	(9,447)

(a) As detailed on the Consolidated statement of financial position on page 64.

(b) As detailed in Note 11(a) on page 114.

(c) As detailed in Note 16(a) on page 119.

(d) As detailed in Note 17 on page 121.

(e) As detailed in Note 7(c) on page 88.

(f) As detailed in Note 10C on page 104.

(g) Net debt is included as a relevant measure as it is the principal measure used to assess credit rating metrics and excludes confirming arrangements.

Group Strategic Report for the year ended 31 December 2025

HOW SCOTTISH POWER LIMITED PERFORMED *continued*

Funds from operations and retained cash flows

Iberdrola, and therefore ScottishPower, relies on two main measures to assess cash generation for the year; Funds from operations ("FFO") and Retained cash flow ("RCF"). These measures are reconciled to the statutory Consolidated statement of cash flows in the table below.

	Notes	2025 £m	2024 £m
Net cash flows from operating activities	(a)	2,341	1,931
Adjustments for:			
Charges and provisions, allowances and impairment of assets	(b)	106	45
Impairment of property, plant and equipment	(c)	(87)	(22)
Research and development expenditure credit	(a)	5	3
Change in provisions	(a)	(315)	(330)
Transfer of assets from customers	(a)	49	47
Net finance income and costs	(a)	(200)	(320)
Unwinding of discount on provisions	(d)	13	11
Net interest on retirement benefit obligations	(e)	(11)	(10)
Net losses on disposal/write-off of non-current assets	(a)	(29)	(23)
Movement in retirement benefits	(a)	32	105
Net fair value gains on operating derivatives	(a)	4	1
Movement in other deferred income	(a)	–	3
Change in trade and other receivables	(a)	(184)	(477)
Net expected credit losses on trade and other receivables	(f)	128	109
Change in inventories	(a)	867	894
Change in trade and other payables	(a)	(23)	357
Provisions paid	(a)	8	18
Assets received from customers	(a)	(165)	(117)
Income taxes paid	(a)	176	255
Income tax	(f)	(442)	(451)
Dividend income	(a)	1	–
FFO		2,274	2,029
Dividends paid	(g)	(571)	(471)
RCF		1,703	1,558

(a) As detailed on the Consolidated statement of cash flows on page 69.

(b) As detailed in Note 23 on page 124.

(c) As detailed in Note 6(a) on page 86.

(d) As detailed in Note 15 on page 118.

(e) As detailed in Note 24 on page 124.

(f) As detailed on the Consolidated income statement on page 66.

(g) As detailed on the Consolidated statement of changes in equity on page 68.

These APMS allow us to calculate our financial solvency ratios as shown below. These ratios are standard measures used in credit risk assessments for both credit rating agencies and by bond investors. The ratios are seen by management as key performance indicators for the Group and used when assessing the potential impacts of decisions. For further information on Net debt refer to the 'Liquidity and cash management' section.

	Note	2025 £m	2024 £m
FFO/Net debt (%)		23.2%	21.5%
RCF/Net debt (%)		17.4%	16.5%
Net debt/Gross operating profit (times)	(a)	3.4	3.4

(a) Net debt as disclosed on page 19 and gross operating profit as detailed on the Consolidated income statement on page 66.

Dividend policy

The directors have had regard to the key principles of the Iberdrola, S.A. Shareholder Remuneration Policy, as noted by the Company, which include that shareholder remuneration must: (i) be sustainable; (ii) be compatible with the maintenance of financial strength; and (iii) take account of the financial profile of comparable companies. During 2025, interim dividends of £450 million were declared and paid to the parent (2024 £350 million) and the Group paid dividends of £121 million (2024 £121 million) to non-controlling interests.

Investment and funding

The overall funding objective is to maintain a forecast debt position for the various Group entities at least in line with their current credit ratings.

As indicated above in the 'Capital and debt structure' section, the ongoing support of the ultimate parent company for future funding and liquidity provides a central underpinning for the directors in their assessments of ongoing funding for the Company and Group.

Group Strategic Report for the year ended 31 December 2025

HOW SCOTTISH POWER LIMITED PERFORMED *continued*

Taxes and other government obligations

To help give an understanding of our contribution to UK taxes and other UK Government obligations, the table below highlights the key taxes and other obligations in the financial year, on an accruals and cash basis respectively.

Analysis of taxes and other government obligations	Notes	Consolidated income statement expense		Cash tax paid in the year	
		2025 £m	2024 £m	2025 £m	2024 £m
Social security costs	(a)	77	45	80	44
Taxes other than income taxes	(b), (c)	403	500	423	507
UK Corporation Tax	(d)	195	267	176	255
		675	812	679	806

(a) Consolidated income statement expense detailed in Note 21 on page 124.

(b) Consolidated income statement expense detailed in Note 22 on page 124 and includes Electricity Generator Levy ("EGL") of £14 million (2024 £130 million).

(c) Cash tax paid in the year includes £13 million of EGL (2024 £130 million).

(d) As detailed in Note 26 on page 125.

SCOTTISHPOWER DIVISIONS

ENERGY NETWORKS

Introduction to Energy Networks division

Energy Networks is responsible for four regulated electricity network businesses in the UK. These businesses are 'asset-owner companies', holding the regulated assets and the electricity transmission and distribution licences of the Group, and are regulated monopolies. They own and operate the network of cables, power lines and substations transporting electricity to around 5.9 million connected customers in the Central Belt and South of Scotland, Cheshire, Merseyside, North Shropshire, North Wales, Cumbria and Lancashire.

One of the regulated businesses, SP Transmission plc ("SPT"), is a transmission network owner. The electricity transmission network consists of the high voltage electricity wires that transport electricity from power stations to distribution system entry points or, in certain cases, direct to end users' premises via a national network of high voltage assets.

The other three regulated businesses, SPD, SPM and ENWL are DNOs. The electricity distribution networks are regional grids that transport electricity at a lower voltage from the national transmission grid and embedded generators, and connect to industrial, commercial and domestic users.

All four regulated businesses are natural monopolies and are governed by Ofgem via regulatory price controls. The primary objective of the regulation of the electricity networks is the protection of consumers' interests while ensuring that demand can be met and network companies are able to finance their activities. Price controls are the method by which the amount of allowed revenue is set for network companies over the period of the price control.

Price control processes are designed to cover each company's efficient costs and allow them to earn a reasonable return, provided they act in an efficient manner, deliver value for customers, and meet Ofgem targets. Price controls are delivered on a regulatory year basis covering the period from April to March. Therefore, the majority of Energy Networks' performance and key deliverables are measured and reported on this basis.

Operating review

Transmission business

In April 2025, we moved into the final year of the five-year RII0-T2 price control period and we are still on track to deliver our agreed outputs from the price control subject to confirmation from Ofgem. The publication of the National Grid ESO's (now NESO) Holistic Network Design ("HND") identified a need for strategic investments of more than £5 billion in Energy Networks' transmission projects in South and Central Scotland by 2030. We continue to develop plans to deliver these significant investments which are key enablers to net zero targets.

The Eastern HVDC link project, Eastern Green Link 1 ("EGL1"), is being developed through a partnership with NGET. The project will provide an electrical connection between Torness in East Lothian, Scotland and Hawthorn Pit in Country Durham and is progressing as expected, with enabling works for the permanent construction phase continuing and manufacture of key items such as HVDC cable and converter valves has now commenced. EGL4, a project to connect Fife in Scotland with Norfolk in England, has now entered formal joint operation arrangements with NGET. Following signing of the converter station engineering, procurement and construction contract in 2025, EGL4 achieved a further significant milestone in February 2026 with the signing of the equivalent cable contract.

Distribution business

The third year of the five-year, RII0-ED2 price control period commenced on 1 April 2025. We are proud of our performance in the second year of RII0-ED2 which ended in March 2025, delivering on our commitments and making progress against our targets. We are delivering greater levels of network investment across reinforcement, modernisation, and resilience programmes whilst adopting smarter solutions and delivering greater network monitoring to enable Distribution System Operator ("DSO") and flexibility services. Implementation of the RII0-ED2 delivery plan continues to deliver the increased volume of activity required including increased recruitment in key areas coupled with external contract placement.

Our values in action

As a network operator serving communities across England, Wales and Scotland, we have a critical role to play in supporting regional and national decarbonisation ambitions. We are focused on providing a business in direct alignment with the priorities of our customers and stakeholders to tackle climate change, and deliver the infrastructure and services required to achieve net zero. Our journey to a net zero future is already well underway.

Our Business Carbon Footprint ("BCF") emissions (excluding losses) have decreased by 39% compared to our 2018/19 science-based target baseline in our distribution business. In regulatory year 2024/25 we launched our Countdown to 2035 campaign, marking the beginning of a 10-year journey toward achieving net zero GHG emissions by 2035.

In our transmission business, good progress has been made with our BCF. In 2024/25, our annual BCF (excluding losses) was 14,294 tonnes of carbon dioxide equivalent ("tCO₂e"). This is 29% lower than in 2013/14 when we first started measuring our BCF, and 34% lower than our 2018/19 RII0-T2 baseline. We continue to reduce fugitive emissions and to electrify our operational fleet.

Group Strategic Report for the year ended 31 December 2025

SCOTTISHPOWER DIVISIONS *continued*

Furthermore, we are supporting societal decarbonisation by enabling low-carbon technologies, such as EVs and heat pumps, to be connected to our network. Energy Networks is a major enabler on the UK journey to net zero and this is embedded in Ofgem's price control mechanisms including reductions in our carbon footprint through investment in low-loss transformers.

2025 performance

Financial KPIs	Revenue		Operating profit		Capital investment	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Energy Networks	2,298	1,713	1,119	924	1,918	1,261

Energy Networks' revenue has increased by £585 million compared to the prior year. The first-time consolidation of the ENWH Group contributed £546 million of revenue in 2025, and allowable transmission revenues rose by £56 million. On a like-for-like basis, non-ENWH Group distribution revenues were £14 million lower, primarily due to reduced volumes.

Operating profit increased by £195 million compared with the prior year, primarily driven by the first-time consolidation of the ENWH Group, which contributed £268 million. This increase was partially offset by higher regulatory expenditure and increased depreciation arising from ongoing investment, and the non-recurrence of a £22 million regulatory provision release in the prior year (refer to Note 15(a) on page 118).

Energy Networks' capital investment increased by £657 million, reaching £1,918 million in 2025. This uplift was driven by higher transmission investment (£163 million) and the inclusion for the first time of the ENWH Group's capital expenditure (£374 million). Investment levels are expected to remain elevated as the business continues to support the UK's net zero ambitions, progresses through RII0-ED2, completes RII0-T2, and begins preparations for RII0-T3.

Non-financial KPIs	Notes	Actual 2025	Target 2025	Actual 2024	Target 2024
Distributed energy (GWh)	(a)				
- SPD		15,162	N/A	15,290	N/A
- SPM		12,760	N/A	12,952	N/A
- ENWL		17,234	N/A	-	-
Annual reliability of supply	(b)				
- SPT		99.99%	N/A	99.99%	N/A
Customer interruptions	(c)				
- SPD		31.3	41.8	32.9	42.8
- SPM		28.6	33.0	32.9	30.9
- ENWL		26.1	29.7	-	-
Customer minutes lost	(d)				
- SPD		25.8	29.6	26.3	26.4
- SPM		34.5	31.0	33.6	26.8
- ENWL		27.1	26.9	-	-

(a) Gigawatt hours ("GWh").

(b) Annual reliability of supply is provided by NESO.

(c) Number of customer interruptions per 100 customers. A measure of volume of customers affected by the fault.

(d) Average number of minutes our customers had their supply interrupted.

Policy and regulation

Transmission

Ofgem published its final determination on the 4 December 2025 for the transmission RII0-T3 price control review which following licence amendments will apply for the price control period 1 April 2026 to 31 March 2031. The final determination follows consideration of the consultation responses to the draft determination which Ofgem published on 1 July 2025. SPT submitted their RII0-T3 business plan to Ofgem in December 2024. The focus of the final determination is a significant increase in investment in the electricity transmission network to enable the UK Government's proposed energy transition while maintaining security of supply. Ofgem introduced new funding mechanism and policy changes for the RII0-T3 period to support the delivery of Clean Power 2030 and projects beyond.

We continue to support and work with the NESO on the connections reform process and the development of the strategic planning reports to ensure our energy system is ready to meet the increasing demand, provide greater security and achieve government targets. The first Strategic Spatial Energy Plan will be published Autumn 2027.

Distribution

The National Infrastructure Commission ("NIC") published its study on the steps necessary to ensure Britain's low-voltage electricity networks can keep pace with rising demand on 21 February 2025. The report made 14 recommendations to enable distribution networks to play their part in decarbonisation and the delivery of economic growth and development, with a particular focus on proactive investment in the distribution network through greater strategic planning and simplified price controls. On 7 July 2025, the UK Government published its response to the NIC study, accepting all 14 recommendations.

Ofgem published its decision on the RII0-ED3 framework on 30 April 2025, setting out the direction of travel for the next electricity distribution price control. This was followed on 8 October 2025 by the publication of the RII0-ED3 Sector Specific Methodology Consultation, which set out proposals for how the framework would be applied in practice. Ofgem is expected to publish its Sector Specific Methodology Decision in late May 2026, representing its final response to the consultation. The RII0-ED3 price control period is due to commence in 2028.

Group Strategic Report for the year ended 31 December 2025

SCOTTISHPOWER DIVISIONS *continued*

Outlook for 2026 and beyond

We will continue to progress the development of EGL1 and EGL4, including the monitoring of engineering, procurement and construction turnkey contracts for converter stations and cables. In addition, pre-construction planning and procurement activity for other direct current links as part of the HND suite of projects will also be progressed.

A key focus for the remainder of 2026 will be the targeted delivery of increased activity associated with regulatory outputs of next year of RIIO-ED2. RIIO-ED2 is particularly significant for the decarbonisation of transport and domestic heating, and the connection of low-carbon electricity as the business drives towards net zero goals building in innovation whilst maintaining high levels of asset stewardship.

On 4 December 2025, Ofgem published the final determination of the RIIO-T3 business plan. This marks the next milestone in our RIIO-T3 journey and the path to net zero and Clean Power 2030, enabling a more sustainable future for us all. The record investment of almost £12 billion over the RIIO-T3 period will unlock capacity in the grid and bring economic growth across our transmission area of central and southern Scotland and beyond whilst also bringing costs down for consumers by reducing network constraints. With the RIIO-T3 price control now in effect from 1 April 2026, the associated licence modifications have been implemented and we are progressing delivery under the new framework.

RENEWABLE PRODUCTION

Introduction to Renewable production

Renewable production is responsible for the origination, development, construction, operation and decommissioning of renewable generation plants, principally offshore and onshore wind. Renewable production currently has more than 40 onshore operational sites alongside our EA1 and WoDS offshore wind farms, totalling 3 GW of operational capacity across our portfolio.

We continue to deliver on positive investment decisions with five projects currently under construction in offshore and onshore wind, and two projects completed in 2025 in onshore wind and energy storage. Our UK onshore pipeline is under continuous review, and in 2025 we took the decision to close a number of solar and battery projects due to the low probability of these projects meeting the required investment hurdles, retaining only a few larger-scale early development projects. However, we continue to have a strong programme of future projects in the UK pipeline out to 2038, including: circa 3 GW of offshore wind within the East Anglia zone; seabed rights for two offshore wind projects in Scotland with a total capacity of 5 GW, being one fixed-bottom site and one floating site; and circa 5 GW of potential onshore wind, solar and BESS projects. We continue to consider further opportunities to invest more widely in renewable generation and storage, and to also explore opportunities to repower our existing fleet.

Operating review

Our assets continued to perform well throughout 2025 with good availability. Onshore production was down from the previous year because of lower than expected wind speeds, which also impacted offshore but was offset by the improvement in EA1 as a result of the impact in 2024 of an unplanned outage of one of the EA1 export cables. In 2025, availability across the operational portfolio has increased due to a series of process, operational and technical improvements. This has resulted in achieving a 5-year high in reported availability over the course of the year. Our operations and maintenance teams continue to develop their Operational Model and Asset Management Strategies, including internal capabilities, to increase operational efficiencies and performance in line with increasing capacity and the integration of innovative technologies.

Renewable production offshore

Renewable production continues to operate the EA1 project (a 60/40 jointly owned arrangement between Renewable production and Bilbao Offshore Holding Limited respectively) and WoDS wind farm (a joint arrangement with Orsted Schroders Greencoat). EA1 had improved availability in 2025 compared to 2024 due to the impact of the unplanned outage in 2024 of one of the export cables (owned and operated by an external party), with insurance receipts received in 2025 partially compensating for the losses suffered in 2024. Renewable production continues to develop the 2.9 GW East Anglian projects which consist of three offshore wind farm projects: EA3, East Anglia Two ("EA2"), and EA1N with the following key activities:

- EA3 construction activities have continued throughout 2025. Foundation fabrication has completed, and installation commenced, thereby marking the beginning of Europe's largest installation to date from a jack-up vessel. Installation of the offshore converter station was successfully completed in October 2025. The offshore export cable is in the final stages of the cable laying campaign, with the onshore export cable installation now complete. In July, a 50% stake in the project was sold to Masdar, with project financing arrangements put in place within EA3 to support the construction funding. EA3 is now a joint operation between ScottishPower and Masdar.
- EA2 construction activities have also continued throughout 2025. All major contracts have been signed, and the CfD milestone was achieved in February 2026. Onshore archaeology works, unexploded ordnance campaigns, and onshore civil works continue. The first steel was cut for the offshore substation in October 2025, marking a major progress milestone.
- EA1N was unsuccessful in the AR7 CfD auction, however is continuing to be developed to allow it to participate in upcoming CfD auctions, with supply chain contracts continuing to be progressed as required. The development consent orders for EA2 and EA1N are linked, and as such, both projects commenced construction when onshore site construction began during 2025.

A transaction was completed with Shell in November 2025 whereby the two 50/50 ScotWind project companies were restructured, ScottishPower Renewables (UK) Limited ("SPRUKL"), a member of the Group, has taken 100% ownership of MarramWind Limited ("MWL"), with Shell taking ownership of 100% of CampionWind Limited ("CWL"). MWL and CWL hold the MarramWind and CampionWind offshore wind farm development projects. Renewable production's ScotWind portfolio has 5 GW of total capacity across the 3 GW floating MarramWind and 2 GW fixed-bottom MachairWind projects. Development works are progressing on both of these projects; MarramWind has progressed with full offshore and onshore consent applications, and further statutory engagements took place during Q4 2025. MachairWind consenting remains on track, with geophysical surveys undertaken and an updated Supply Chain Development Statement now submitted. Furthermore, two rounds of statutory consultations took place in 2025. In addition, positive steps have been taken under NESO's Connection Reform to ensure a successful connection offer for both MarramWind and MachairWind. Both projects have been actively engaged with the Crown Estate Scotland's industry-wide process in relation to extensions to the option to lease agreement with formal policy update awaited from the Crown Estate Scotland and the Scottish Government.

Group Strategic Report for the year ended 31 December 2025

SCOTTISHPOWER DIVISIONS *continued*

Renewable production onshore

The onshore delivery team continues to make strides in advancing its renewable energy capacity. From energisation of new energy storage to the repowering of legacy wind sites and the steady progress of major construction works, the Onshore team is driving forward projects that will contribute to the Group's net zero ambitions:

- Commercial operations of Harestanes BESS (50 MW); was achieved on 15 September 2025.
- Commercial operations of Hagshaw Hill Repowering Windfarm (80 MW); was achieved on 31 October 2025. This site now has a generating capacity five times that of the original wind farm with the original 26 turbines having been replaced by 14 new, larger and more efficient turbines.
- Construction of the Kilgallioch Extension Windfarm (51 MW) completed in March 2026, with the final turbines being commissioned and commercial operation being achieved.
- Work continued to progress on the Cumberhead West Windfarm (113 MW). The second half of 2025 focused on wind turbine erections and control building and associated compound construction. Commercial operation is planned for June 2026 with the installation of 20 new wind turbines.
- Work continued to progress on the Arecleoch Extension Windfarm (74 MW). Civil works commenced in preparation for the turbine bases and concrete pours.

2025 performance

Financial KPIs	Revenue		Operating profit		Capital investment	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Renewable production	1,318	1,484	616	708	1,034	784

Renewables revenue decreased by £166 million, to £1,318 million in 2025. The reduction was driven predominantly by significantly lower energy prices, which affected sales primarily to ScottishPower Energy Retail Limited. This was partially offset by the annual indexation applied to Renewables Obligation Certificates ("ROCs") and CfDs. An increase in overall production volumes across the portfolio also provided some mitigation against the weaker price environment, largely reflecting improved output relative to the 2024 EA1 constraint, which arose from an unplanned outage on an export cable owned and operated by an external party.

Operating profit decreased by £92 million, to £616 million in 2025. The adverse energy price impact reflected in revenues was partly mitigated by a £116 million reduction in the EGL cost. An additional downside impact arose from an £85 million write-off of development projects in the year.

Capital investment increased by £250 million, to £1,034 million in 2025 driven mainly by continued spend across offshore sites under construction, including costs incurred on the EA3 project prior to its divestment.

Non-financial KPIs	Notes	2025	2024
Wind			
Output (GWh)	(a)	7,339	7,256
Installed capacity (MW)	(b)	2,965	2,876
Availability	(c)	96%	96%
Solar			
Output (GWh)	(a), (d)	12	8
Installed capacity (MW)	(b), (d)	19	19
Battery storage			
Installed capacity (MW)	(b), (e)	151	101

(a) Output is a measure of the electrical output generated in the year, which in turn drives the revenues of the business.

(b) Installed capacity represents the total number of MW installed within the sites. This includes all sites constructed irrespective of whether they are generating or not.

(c) Availability is a measure of how effective the business is at ensuring wind generating plant is available and ready to generate.

(d) Solar capacity and output in respect of Carland Cross and Coldham solar sites, the latter of which commenced operations in March 2024.

(e) Installed capacity relates to Gormans BESS, Whitelee BESS and Harestanes BESS.

Policy and regulation

Renewable production continues to play a significant role in shaping the UK's renewable energy policy and regulatory landscape, working closely with the UK Government, devolved administrations, Ofgem, NESO and other industry bodies to accelerate the transition to clean power.

The UK Government's Clean Power 2030 ambition, announced in December 2024, aims to deliver a fully decarbonised power system by 2030 with a renewed focus on accelerating the deployment of renewables, modernising grid infrastructure, and enhancing energy security. The Clean Power 2030 Action Plan outlined deployment targets including 43-50 GW of offshore wind, 27-29 GW of onshore wind, and 45-47 GW of solar power by 2030 and is designed to unlock £40 billion in annual investment between 2025 and 2030, alongside accelerated planning and grid reform. The Scottish Government recently confirmed an increase in its offshore wind capacity target to up to 40 GW by 2040, up from the previous target of 11 GW by 2030. This revised ambition is a response to a significant increase in potential projects from the ScotWind and Innovation and Targeted Oil and Gas ("INTOG") leasing rounds, which have resulted in a potential pipeline exceeding 40 GW. The publication of these ambitions by both the UK and Scottish Government provide greater regulatory certainty for renewable developers and the supply chain, and support ongoing investment in the sector.

To help realise these ambitions, in March 2025, the UK Government introduced a Planning and Infrastructure Bill to Parliament to reform planning legislation and processes, with the aim of speeding up infrastructure development, including energy infrastructure. Renewable production played a key role in influencing the passage of the Bill through Parliament and the Bill received Royal Assent on 18 December 2025, becoming the Planning and Infrastructure Act 2025. The Act includes clauses relating to electricity network connections reform and improving the planning consent regime for electricity infrastructure in Scotland, both of which will support Renewable production's renewable deployment.

In April 2025, Ofgem approved NESO's Connections Reform package, shifting grid access from a 'first come, first served' model to a 'first ready, first needed, first connect' approach. This reform is closely linked to the Strategic Spatial Energy Plan ("SSEP"), which has been commissioned jointly by the UK, Scottish, and Welsh governments to map optimal infrastructure needs across Britain. In July 2025, the UK Government confirmed it will retain a single

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SCOTTISHPOWER DIVISIONS *continued*

national wholesale electricity price under the RNP framework, rejecting zonal pricing, a decision which was supported and influenced by ScottishPower. RNP will include reforms to transmission charging, constraint management, balancing, and network build by 2029. A detailed RNP Delivery Plan was published in April 2026, with the first iteration of the SSEP, the cornerstone of the RNP package, expected in 2027. Renewable production will continue to play a lead role in influencing each of these levers as they could have a significant impact on the future pipeline.

Support for renewable generation continues under UK Government's CfD auctioning regime. In July 2025, the UK Government announced a series of reforms for CfD AR7, including an extension of the CfD contract length from 15 to 20 years for fixed-bottom offshore wind, floating offshore wind, onshore wind, and solar. These contracts will continue to be indexed to Consumer Price Index ("CPI") throughout their term, improving long-term investment certainty. This round also introduced the CIB, replacing the Supply Chain Plan process, incentivising investment in sustainable UK-based supply chains.

During 2025, Renewable production continued to play a leading role in the Offshore Wind Industry Council ("OWIC"), a forum that drives the development of the UK's offshore wind sector by bringing together government and industry leaders. In 2025, OWIC have driven the delivery of programmes in environment, consents, and supply chain. This has included successful outcomes on radar mitigation, defining OWIC governance and funding of the Industrial Growth Plan, as well as shaping industry response on underwater noise and marine recovery funding and strategic compensation.

Renewable production's key influence across the UK onshore wind sector in 2025 was progressed through the UK Government's Onshore Wind Industry Task Force. Their strategy and actions were absorbed into the UK Government's Onshore Wind Strategy which was published in July 2025 which sets out over 40 actions, primarily government commitments, to resolve the key blockers to onshore wind in the UK across planning, grid, supply chains, workforce, financing, communities, and aviation. The Onshore Wind Industry Council as created in July 2025 as a permanent forum for coordination between government and industry to implement the strategy and Renewable production are represented on the Industry Delivery Group.

The Electricity Generator Levy ("EGL") was introduced in January 2023 as a temporary charge on exceptional receipts generated from low-carbon UK power generation meeting certain conditions. In May 2026, the UK Government announced that the charge will increase from 45% to 55% with effect from 1 July 2026; this change has yet to be enacted. The levy was originally legislated to expire on 31 March 2028, but in May 2026, the UK Government also announced its plan to extend the levy beyond its original expiry date, although no revised date has been proposed.

Outlook for 2026 and beyond

EA3 construction is well underway with the installation of all 95 turbines expected to be completed in 2026. EA2 has commenced its construction phase which will continue between 2026 and 2028. EA1N continues to develop, and along with onshore projects, look for opportunities in future CfD auctions, as well as engaging with other partners to create possible power purchase agreement's ("PPAs") which deliver a route to market for our offshore and onshore projects.

Development works will also continue for the two ScotWind projects throughout 2026. Key consent applications for MarramWind and its onshore cable corridor have now been made and preparation is underway for MachairWind with consent and licence applications due to be submitted by June 2026.

Commercial operation of Kilgallioch Extension Windfarm (51 MW) was achieved in March 2026 adding an additional nine turbines to the current site. Work continues to progress on the Cumberhead West Windfarm (113 MW). The second half of 2025 focused on the erection of wind turbines and control buildings and the associated compound construction. Commercial operation is planned for June 2026 with the installation of 20 new wind turbines.

In parallel, and throughout all our operations in providing increased clean, secure energy, we continue our commitment to health, safety and the environment, ensuring a focus on the safety of our people, contractors and communities – recognising the importance of biological diversity and cultural heritage, respecting natural resources and striving to enhance the environment around our developments.

CUSTOMER BUSINESS

Introduction to Customer business

Customer business is responsible for the supply of electricity and gas to domestic and business customers, including customer registration, billing and handling enquiries in respect of these services. It is also responsible for the associated metering activity including the smart meter installation programme and managing our smart solutions offerings. During 2025, an average of 4.2 million gas and electricity customers were supplied by the business. At 31 December 2025, the business supplied 4.2 million gas and electricity customers. In Customer business, we aim to deliver a top-class experience for our customers, one which is hassle-free, making it easy for customers to contact us through a range of routes, and provides flexibility to meet all of our customer needs.

The energy sector is evolving, and as a responsible energy supplier we continue to innovate to ensure our service offering meets the needs of customers as those needs and market conditions change. We aim to do this through:

- supporting the decarbonisation of the energy market through innovative offerings;
- providing additional support to our most vulnerable customers;
- taking a holistic approach to customer needs through good quality smart solutions; and
- linking our smart solutions with our competitive energy tariff offerings.

The Energy Management function continues to focus on managing the Group's exposure to the UK wholesale electricity and gas markets on behalf of the Customer business and Renewable production. Energy Management is primarily responsible for managing wholesale margins through the purchase of external supplies of electricity and gas for onward sale to customers and the sale of electricity from internal and external renewable PPA to wholesale market participants in the UK. It also sources green certificates which ensure compliance by the business with its regulatory and commercial obligations. Energy Management has contributed to the Group's navigation of energy markets through its trading strategies, in addition to ensuring the continued security of gas supply through safe and optimal utilisation of its Hatfield Moor gas storage facility.

Operating review

Supply and market conditions

The energy supply market and regulatory environment continue to be challenging for all suppliers in the industry. The absence of a product market as a result of the energy crisis resulted in most households in our portfolio being on the standard variable tariff ("SVT") which is subject to the Ofgem price cap. Levels of competition in the fixed-term product market have continued to increase during 2025, resulting in higher levels of switching in the market, but these still remain below pre-crisis levels.

Group Strategic Report for the year ended 31 December 2025

SCOTTISHPOWER DIVISIONS *continued*

Ofgem has continued to make changes to the price cap methodology to ensure it allows suppliers to recover efficiently incurred costs, most notably with a review of operating costs and debt allowances. The updated operating cost allowance replaced the temporary debt allowances in July 2025 which had been in place to enable suppliers to recover (during 2024 and 2025) some of the costs incurred for previous price cap periods for bad debt. With energy prices in 2025 remaining almost double the level they were four years ago; many consumers are still facing severe cost of living challenges. The Customer business continues to be concerned about customer affordability, particularly considering the likely increase of energy usage and associated costs during the winter months.

With customer bills high, our operational focus remains on prompt cash collection, the retention of customers on secure payment plans, and supporting our customer base to manage their debt position. We continue to face constraints in the use of prepayment meters ("PPMs") without customer consent (involuntary PPMs) to recover debt, with Ofgem's rules increasing the number of customers where an involuntary PPM is not considered an option, compared to periods prior to the market-wide pause in use of involuntary PPMs during 2023. The business continues to engage with Ofgem on all aspects of debt, including the recovery of additional historic debt created as a result of the moratorium and the energy crisis, as well as new bad debt build up from ongoing affordability concerns and from the implementation of the new rules in late 2023 which extend the group of customers who are deemed not suitable for PPMs.

Following our decision to exit the I&C supply market in 2022, the business continues to service its remaining customer base but does not offer new fixed-term contract terms at the point of renewal. I&C customers have the option of either leaving ScottishPower at the point of contract renewal or continuing to receive a supply at default SVT prices. As a result of this policy, the I&C portfolio has continued to decrease in size.

In September 2025, Iberdrola completed an agreement with Macquarie for the sale of SPSMAL, the company that owns smart meters in the UK. ScottishPower continue to work with Macquarie for customer meter roll outs.

Government support

The UK Government support schemes implemented for both domestic and non-domestic customers to address the impact of the energy crisis ended in 2024, however the business' position remains that enduring government assistance is required to ease the burden on domestic households most at risk. To this end, we continue to engage with the UK Government and Ofgem, to champion a targeted approach to support the most financially vulnerable. We are pleased that the UK Government has recognised the need to take action to reduce bills for domestic consumers including through removing the majority of RO policy costs from bills and covering it through general taxation on a temporary basis. This is a positive step, and we continue to urge the UK Government to consider further similar changes.

UK Energy Management

Energy Management continues to purchase forward power and gas requirements on behalf of Customer business and sell forward power generated by Renewable production, to provide price certainty in an environment where commodity markets have continued to experience substantial price volatility. Considering the commodity market conditions over recent years, these hedging activities have played a key role in the earnings of both businesses. Energy Management has continued to optimise its credit and collateral positions with market counterparties to protect shareholder value.

Energy Management is also responsible for the Hatfield gas storage facility where its focus is on the safe operation of the asset, optimisation of injections and withdrawals to contribute to security in Britain of gas supply and the creation of financial value.

Our values in action

During 2025, governments and Ofgem continued to focus strongly on the need for suppliers to deliver a positive consumer experience for all customer groups, recognising that suppliers are required to identify the needs of their customers, especially those in vulnerable circumstances. Ofgem's focus has been on introducing additional protections for customers via new policy and regulatory developments (Refer to the 'Policy and regulation' section below for further details), and also via market-wide compliance activity with a focus on billing activities. The impact of sustained high energy prices combined with the broader cost of living crisis has seen a challenge for our customers, with the business taking a number of actions to ensure our customer service offering can deliver for our customers in this challenging environment. This includes the actions we have taken to support customers directly, as well as supporting customers in accessing support from relevant third parties and influencing the UK Government to implement support interventions. Refer to the 'Energy customers' section of the Strategic Report for further details.

2025 performance

Financial KPIs	Revenue		Operating profit		Capital investment	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Customer business	4,065	4,787	85	252	153	168

Customer business revenue decreased by £722 million, to £4,065 million in 2025. The reduction was primarily driven by the ongoing impact of the Group's 2022 strategic decision to exit the I&C supply market. In addition, domestic revenues declined due to a reduction in customer numbers and the adverse impact from warm weather.

Operating profit decreased by £167 million, to £85 million in 2025, driven by lower volumes (a £63 million impact) due to weather and customer numbers, higher bad debt costs of £14 million, and a £61 million timing impact under the Ofgem price cap mechanism relating to network system costs, commodity price movements and new industry obligation costs.

Capital investment in the Customer business decreased by £15 million, to £153 million in 2025, mainly due to the sale of SPSMAL and the resulting reduction in required investment.

Group Strategic Report for the year ended 31 December 2025

SCOTTISHPOWER DIVISIONS *continued*

Non-financial KPIs	Notes	2025	2024
Volume supplied (GWh)	(a)	26,663	30,179
Customer service performance	(b)	2nd	1st
Smart meters in portfolio	(c)	68.7%	61.8%
Customers (thousands)	(d)		
– Electricity		2,480	2,616
– Gas		1,741	1,800
		4,221	4,416

(a) Reduced demand driven by customer behaviour and milder weather, in addition to lower customer numbers and the continued withdrawal from the I&C market.

(b) Based on the Citizens Advice Domestic Energy Suppliers' Customer Service Report. Rankings reflect ScottishPower's position relative to the other large energy Companies. We have continued to invest in our customer service teams with a key focus on improving our timely management and resolution of complaints, coupled with an overall focus on service quality across all of our advisors.

(c) Percentage of relevant Customer business customer base with a smart meter.

(d) Customer numbers are based on the average number of Meter Point Administration Numbers for electricity customers and Meter Point Reference Numbers for gas customers during the year to 31 December.

Policy and regulation

During 2025, Ofgem's key focus for the retail sector continued to be on ensuring prices are fair and delivering protections for vulnerable customers, particularly those with affordability issues, and driving up consumer service standards. In delivering these priorities, its work included:

- assessment of further amendments to the default price cap methodology to reflect changes to the market since the cap was introduced;
- recovery of historic costs incurred by suppliers as a result of temporary changes to the market;
- assessing the future of price protection in the retail sector and tariff structure more generally including the role of default tariffs and standing charges, and whether suppliers should be able to offer cheaper tariffs to new customers;
- a programme of work to consider the need for intervention in the market to address ongoing and increasing levels of debt and affordability challenges, this includes consulting on proposals to change the home move process which Customer business has influenced significantly;
- assessing the need for intervention to protect customers relating to various metering issues, including the phase out of RTS meters, and the installation and communication status of smart meters;
- reviewing the current approach to the regulatory framework including assessment of the relative benefits and impacts of prescriptive and outcomes-based approaches; and
- a refresh of Ofgem's consumer vulnerability strategy.

We have continued our engagement with Ofgem on all policy areas to aim to influence the proposals in the best interests of ScottishPower and its customers.

Ofgem's levelisation and reconciliation mechanism to align prepayment prices with direct debit prices via adjustments to the standing charges, remains in place, but it has not progressed with its previously proposed phase 2 levelisation scheme which we had encouraged it to develop.

Throughout 2025, we have continued to engage with Ofgem in its reviews of allowances in the price cap, including its decision to review the operating cost allowance to take effect from July 2025, including a specific debt allowance, which allowed the removal of the temporary adjustment which had been in place from 1 April 2024 to address supplier costs related to increased levels of bad debt, and the temporary allowance for bad debt-related costs associated with increased levels of Additional Support Credit provided to prepayment customers at risk of going off supply. We continue to engage with Ofgem on ensuring that decisions for new regulatory intervention are reflected in the price cap allowances in a timeframe to allow suppliers to recover their costs, particularly those social and environmental schemes which are recovered via consumer bills.

Ofgem has continued to assess potential debt interventions under a 'Debt Reset and Reform' programme of work which includes its Debt Relief Scheme which proposes to write off historic debt for vulnerable customers who meet certain eligibility criteria with the costs recovered from other customer bills. Ofgem's latest proposals would see much lower levels of debt written off by the scheme compared to its initial plans (certainly for phase 1 of the scheme which is intended to commence later in 2026). We continue to engage with Ofgem to ensure any scheme is appropriately targeted and also allows suppliers to recover the actual costs incurred. We were pleased that this programme also includes proposals to change the home move process which would mitigate the significant levels of debt that build up during this particular process due to the British market design. This builds on proposals shared by Customer business with Ofgem during 2024 and 2025 and we are pleased that Ofgem is now taking action, and we will continue to seek to influence this process.

During 2025, Ofgem consulted on various proposals which would require suppliers to offer zero or lower standing charge tariffs to domestic customers. Ofgem's latest proposals are to use voluntary pilots where four suppliers will offer one year lower standing charge tariffs with a saving of at least £150 below the price cap standing charge to gather more evidence on the impact on customers and suppliers before any decision is made. These pilots will take place over 2026 and early 2027. Ofgem has been clear that this measure is not an affordability intervention, and consumers may not save money by moving to one of the new lower standing charge tariffs, and that the measure is aimed to allow consumers more choice and control over their energy costs. Ofgem consultations have also recognised the risk that suppliers could be exposed to lost revenue as a result of the proposals and have included some measures that may act to mitigate these losses.

Ofgem continues to monitor customer service and assess options to drive improvements. Ofgem's Consumer Confidence report, first published in September 2024 continues to be a priority area for Ofgem, with engagement taking place during 2025 on a set of desired consumer outcomes, and a consultation on the roles of principles compared to prescription in delivering good outcomes for customers published in late 2025. Ofgem's activity will encompass the Debt Standards within its Debt programme of work, and the Vulnerability Outcomes set out in its updated Vulnerability Strategy published in early 2025. In addition, Ofgem is consulting on a review of its Guaranteed Standards of Performance ("GSoP") regime, which sets standards which if not met, consumers are automatically awarded a set compensation amount.

Group Strategic Report for the year ended 31 December 2025

SCOTTISHPOWER DIVISIONS *continued*

This broader review follows proposals from Ofgem to create new GSoPs relating to smart meter installation and performance which took effect from 23 February 2026. Metering activities remained a key focus for both the UK Government and Ofgem during 2025 with a significant focus on measures to protect customers through the switch off of the RTS, drive improvements in smart meter performance, and increase smart meter take up by consumers. Alongside consultation on specific RTS licence conditions, and the new GSoP, the UK Government has also issued consultations on proposals for the future smart meter framework for domestic and non-domestic consumers after the current framework ended in 2025.

The UK Government remains a key stakeholder for Customer business. We continue to engage with the UK Government about implementation of its decision to move the majority of RO policy costs from consumer bills to general taxation on a temporary basis and the decision to end the ECO and GBIS schemes, also supporting a reduction in consumer bills. Other areas of particular focus from the UK Government include other issues relating to the recovery of policy costs and the future of price regulation, options to address affordability and recent proposals to improve customer experience through the complaints process with changes to the rules for redress through the Energy Ombudsman. We continue to engage with the UK Government on a number of these areas, as well as the future of the UK Government's energy efficiency schemes and the smart meter installation programme.

Outlook for 2026 and beyond

During 2026, we are expecting to see developments surrounding existing consultations on bad debt recovery and debt prevention measures, lower standing charge tariffs, the smart meter framework, and Ofgem's Consumer Outcomes work including its approach to automatic compensation through GSoPs.

The business will continue to engage with the UK Government and Ofgem to ensure the regulatory framework is fair and fit for purpose. All policies must enable the business to deliver the service and solutions needed to support its customers and deliver net zero. This will include continuing to focus on adjustments to the price cap and the use of alternative mechanisms to allow suppliers to recover efficient costs.

Whilst 2025 saw the business experience less volatility in wholesale market prices than it has over the past couple of years, and the product market continued to develop during 2025, there is still uncertainty surrounding where the product market will reach.

The business has concentrated on making the adoption of smart solutions even easier by launching the EV optimise solution. Focus remains on developing our public charging network for EVs with the planned growth of our new subscription product released to encourage regular business and offering even better rates to customers. The key to future engagement will be to take advantage of using energy flexibly in line with the energy system, so our smart solutions team are developing new propositions to smartly run low-carbon technology in concert with the grid.

Energy Management continues to trade in line with forward hedging strategies as approved by Customer business and Renewable production. These strategies look to create comparative value compared to competitors while adhering to strict limits on market, credit and collateral risk, and predicting the potential impacts of variable demand and generation volumes.

Group Strategic Report for the year ended 31 December 2025

GROUP PRINCIPAL RISKS AND UNCERTAINTIES

The delivery of our strategy requires the Group to conduct business in a manner benefitting customers through balancing cost and risk, while delivering shareholder value and protecting our performance and reputation by prudently managing the risks inherent in the business. Risk management within the Iberdrola Group, and so the Group, is based on foresight, independence, commitment to the Group's business objectives, and the engagement of senior management and the SPL Board. To maintain this strategic direction, the Group develops and implements risk management policies, guidelines, procedures and promotes a robust control environment at all levels of the organisation.

During 2025, the governance structure was supported by risk policies and guidelines approved by the board of directors of Iberdrola ("the Iberdrola Board") and adopted by the SPL Board. Our business risk assessment teams and independent group risk management function supported the SPL Board in the execution of due diligence and risk management. In addition, the Group is represented at the Iberdrola Risk Coordination Committee to ensure that the business risks are adequately assessed, monitored, mitigated and managed. Further details of the Group's governance structure and risk management are provided on page 36 and in the Directors' Report.

The principal risks and uncertainties of the Group, that may impact current and future operational and financial performance, and the management of these risks are described below:

CYBER SECURITY RISKS – IMPACTS THE GROUP	RESPONSE
<p>We operate within an environment where there is the presence of sophisticated and opportunistic cyber security threat actors motivated to identify and take advantage of flaws and weaknesses in our cyber security defences. ScottishPower, in alignment with UK regulation, takes the protection of our data and the provision of our essential services very seriously. We continue to invest significantly in our people, processes, and technologies to enhance our capabilities to prevent, detect and respond to security threats.</p> <p>The main risks are:</p> <ul style="list-style-type: none"> Operational technology used to manage Renewable production, management and distribution of energy, or physical safety systems (fire protection, CCTV, alarm reception centres). IT that enables us to operate critical services. The confidentiality, integrity, and availability of our key information assets. Risk of the Group's network, systems and/or data being compromised due to supplier security controls being insufficient, resulting in data loss, critical service interruption, regulatory sanctions, and reputational damage. Other cyber security risks impacting reputation. 	<p>We continue to focus on our enterprise security risks through enhanced internal governance, complemented by the adoption of a 'three defence lines model' with clear roles and responsibilities established across the Group. These risks are managed in accordance with the basic principles defined in internal cyber security rules promoting the safe handling of data, use of IT and communications systems, use of operational technology systems and assets, and other cyber assets, reinforcing detection, prevention, defence, and response capabilities against possible attacks. Risks are also managed through identification of critical suppliers and cybersecurity maturity reviews in third parties. We have also built in cyber security checks and monitoring as part of our tendering and supply chain relationships.</p> <p>The Iberdrola Group currently has specific insurance against cyber risks, under the terms allowed by the insurance market, which is revised and updated periodically in view of the rapid evolution and wide variety of cyber risks.</p>
SUPPLY CHAIN RISKS – IMPACTS THE GROUP	RESPONSE
<p>Interruption due to geopolitical circumstances and higher costs as a result of movements in commodity prices, increased risk of supplier failure due to the deterioration of industrialised economies and excess demand over supply.</p>	<p>Identifying potential shortages, delays and gaps in the supply of products, equipment and labour. The supply chain is advised by the Procurement department in conjunction with advice from the Compliance, Legal and Risk departments. The upward pressure on costs due to the macroeconomic environment is managed, and strategies, such as hedging and expanding our supplier base, are developed and implemented. The risk is spread through supply chain engagement, especially with new suppliers in new business areas and technologies. Where necessary, levels of key areas of inventory will be increased as well as ongoing monitoring of underlying commodity costs and adherence to hedging policy.</p>

Group Strategic Report for the year ended 31 December 2025

GROUP PRINCIPAL RISKS AND UNCERTAINTIES *continued*

REDUCED SECURITY OF SUPPLY RISKS – IMPACTS THE GROUP	RESPONSE
<p>Reduced security of supply due to potential asset failures alongside decreased generation capacity.</p> <p>Reduced security of supply has the potential to disrupt many of our customers, in both our own licence areas and beyond.</p>	<p>Risk-based asset investment programme in place, business continuity and emergency planning well-established including Electricity System Restoration Strategic spares policy in place. Continuing engagement with Ofgem on resilience. Focus on deepening relationship with customers through increased product holding and other value-add features and benefits, designed to improve customer engagement and retention, and growth in capacity of our sales channels.</p>
REGULATORY AND POLITICAL RISKS – IMPACTS THE GROUP	RESPONSE
<p>Compliance with regulatory obligations especially in the context of sudden changes of policy, or interventions outside established regulatory frameworks.</p> <p>Specific areas:</p> <p>Price controls – impacts Energy Networks Failure to deliver the transmission and distribution outputs agreed with Ofgem in their respective price controls under the RIIO framework. This includes the business planning for RIIO-ED3 for SPD, SPM and ENWL.</p> <p>Structural market uncertainty – impacts Customer business Structural uncertainty resulting from regulatory market interventions including review of price cap allowance and changes in the licence conditions for consumer protections relating to debt and affordability, including the use of prepayment in the debt journey.</p>	<p>Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained, and public backing is secured for the necessary investment in the UK energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets.</p> <p>Mitigating actions include formulating detailed investment, resource, outage, contingency plans supported by an extensive procurement strategy and having a funding strategy in place to support delivery. Good communication and coordination of activities across the business is integral to success, complemented by a comprehensive monitoring regime that provides early warning of potential issues.</p> <p>Engagement with key industry stakeholders including both Ofgem and various government departments regarding the requirement for suppliers to recover all costs, and the need to make fundamental changes to the market to ensure efficient suppliers can recover costs in the future particularly focused on increased bad debt costs. Engagement includes responding to consultations and proactively lobbying key stakeholders providing evidence on our costs and preferred regulatory amendments.</p>
GLOBAL FINANCIAL MARKET VOLATILITY RISKS – IMPACTS THE GROUP	RESPONSE
<p>Impacts arising from market and regulatory reactions to geopolitical events. As well as positive or negative changes in the UK economy these could include:</p> <ul style="list-style-type: none"> increased volatility of commodities, inflation (and other related indices), and currencies, closely linked to the various policies of different countries, as well as global events; movement in the market price of electricity and gas and associated impact on collateral requirements on trading positions; and increased volatility and estimation uncertainty risks on factors affecting the pension schemes including asset values and key assumptions. <p>The Group continues to monitor the geopolitical situations across the world, including in the Middle East.</p>	<p>Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained, and public backing is secured for the necessary investment in the British energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets. In addition to monitoring ongoing developments, the Group has specific procedures in place to manage these key market risks. Further details are as follows:</p> <ul style="list-style-type: none"> a treasury risk management policy (comprising foreign currency, liquidity and interest rate risk) is in place to hedge financial risks which are discussed further in Note 10; Mitigating exposure to the volatility of currencies, commodities, and other inflation indices linked to supply or service agreements is achieved through contracting different financial hedges. Exposure to currencies is always fully covered, but we are not always able to find a financial instrument to cover exposures to either CPI or commodities; and the pension scheme valuation risk is discussed further in Note 8.

Group Strategic Report for the year ended 31 December 2025

GROUP PRINCIPAL RISKS AND UNCERTAINTIES *continued*

CLIMATE CHANGE RISKS – IMPACTS THE GROUP	RESPONSE
<p>The risk that Iberdrola's and the Group's strategy, investments or operations have a significant impact on the environment and on national and international targets to tackle climate change, or that climate change has a significant impact on our assets.</p> <p>Refer to 'Non-financial and sustainability information statement' section of the Strategic Report for further details.</p>	<p>ScottishPower's and Iberdrola's commitment to tackle climate change is reflected in our strategy.</p> <p>Refer to the 'Non-financial and sustainability information statement' section of the Strategic Report and Iberdrola's latest Integrated Report and Sustainability Report for further details.</p>
HEALTH AND SAFETY RISK – IMPACTS THE GROUP	RESPONSE
<p>A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.</p>	<p>The Group has certified management systems in place to deliver activities as safely as possible. In addition, a ScottishPower Health and Safety function exists and provides specialist services and support for the businesses in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout the Group, which aims to ensure not only continuing legal compliance but also to drive towards best practice in all levels of health and safety operations. Further details are provided in the 'Employees' section of the Strategic Report.</p>
RECRUITMENT AND RETENTION OF STAFF RISKS – IMPACTS THE GROUP	RESPONSE
<p>Increased and appropriate resources with the correct capabilities are required to grow our businesses.</p> <p>In Energy Networks, the increased retiral rate and challenging RIIO investment programmes require substantial recruitment in the coming years.</p>	<p>Extensive focus on retention and strategic workforce planning in order to build key capabilities and future skills with targeted learning and development opportunities.</p> <p>Build a multi-channel approach to recruitment with leveraging of Iberdrola Global Talent Strategy, focus on armed forces transition and identify available resources from industries experiencing downturn.</p>
PROJECT DELIVERY RISK – IMPACTS ENERGY NETWORKS AND RENEWABLE PRODUCTION	RESPONSE
<p>Failure to deliver large, complex and viable projects on time and within budget.</p>	<p>ScottishPower and Iberdrola have a strong track record in delivering large-scale engineering projects with significant experience from developing numerous onshore and offshore wind farms and Energy Networks projects. Project delivery is supported by the use of established and experienced suppliers and advisors, along with robust financial management including appropriate foreign exchange hedging and funding strategy.</p> <p>Continue constructive engagement with Ofgem on plan deliverability and regulatory regime around HND projects.</p>
RISKS OF INTERRUPTIONS TO NET ZERO TIMESCALES – IMPACTS ENERGY NETWORKS	RESPONSE
<p>Network operators are key facilitators to governments' net zero ambitions and the failure of Energy Networks to respond to customers' changing requirements through the low-carbon transition (for example EVs, distributed generation and storage) could result in a failure to meet these targets.</p>	<p>Mitigating actions influencing developments at industry forums, undertaking scenario modelling of the impact of low-carbon technologies, considering technical and commercial innovation projects, engaging with key stakeholders and owning a clear DSO vision.</p>

Group Strategic Report for the year ended 31 December 2025

GROUP PRINCIPAL RISKS AND UNCERTAINTIES *continued*

COST OF LIVING CRISIS RISKS – IMPACTS CUSTOMER BUSINESS	RESPONSE
<p>Increased focus on affordability due to sustained higher energy prices and increased cost of living creates a greater number of consumers at risk and a greater burden on suppliers to service and support customers.</p> <p>Overdue debt continues to be significantly above historic levels, driven by the impact of sustained higher energy bills, the ongoing high cost of living and regulatory changes implemented by Ofgem, specifically around PPM installation restrictions, impacting on the level of debt write off required.</p>	<p>We continue to deliver on improvement actions in relation to vulnerability and affordability. Engagement continues with the UK Government, third parties and Ofgem, on the challenges facing suppliers in supporting customers with affordability issues, the need for more targeted consumer protection for our most vulnerable customers and measures to address the historic debt built up.</p> <p>There are measures in place across Customer business to manage the key drivers of overdue debt, assess and implement remedial and preventative action, and to establish key metrics to monitor progress in reducing debt levels. Refer to Note 11 for further details.</p>
MARKET POSITION RISK – IMPACTS CUSTOMER BUSINESS	RESPONSE
<p>Impact of competition on Customer business' market share and profitability.</p>	<p>Constantly managing our operating cost base to ensure that our profitability is protected and focusing on growth through organic and other acquisition opportunities.</p> <p>Focus on deepening relationship with customers through increased product holding and other value-add features and benefits, designed to improve customer engagement and retention, and growth in capacity of our sales channels.</p>

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

The table below demonstrates, by cross-reference, how the non-financial reporting regulations within UK company law have been met. A description of our business model can also be found on page 1.

NON-FINANCIAL TOPIC	OUR POLICIES, PRINCIPAL RISKS AND KPIS RELATING TO EACH TOPIC	PAGE REFERENCE
Environmental matters	<ul style="list-style-type: none"> • Environmental strategy and policies • Environmental risks • Environmental KPIs 	<p>Refer to pages 35 to 39</p> <p>Refer to pages 39 to 45</p> <p>Refer to pages 45 to 48</p>
The Group's employees	<ul style="list-style-type: none"> • People strategy and policies • People-related risks • People KPIs 	<p>Refer to pages 5 to 9</p> <p>Refer to page 31</p> <p>Refer to pages 5 to 9</p>
Social matters	<ul style="list-style-type: none"> • Community-focussed strategy and policies 	Refer to pages 50 to 52
Human rights, anti-corruption and anti-bribery	<ul style="list-style-type: none"> • Human rights and anti-slavery policies • Compliance and whistleblowing policies 	Refer to pages 17 and 18

SUSTAINABILITY

Building an energy model for future generations

As the first integrated energy company to generate 100% green electricity, sustainability remains central to everything we do and is embedded across all parts of our business. Whether we are supplying millions of customers across the UK, employing thousands of people, or investing billions of pounds in the UK economy, our commitment to operating responsibly and shaping a cleaner future is fundamental to our purpose.

This commitment to sustainability influences how we operate day-to-day. It is captured in our values, integrated into our internal processes, our expectations of suppliers, and our relationships with customers, communities, and wider stakeholders.

In April 2023, we launched Action 2030, ScottishPower's first comprehensive sustainability strategy, outlining our vision and the progress we want to achieve by the end of the decade. Action 2030 established six core themes – clean energy, climate action, biodiversity and ecosystems, circular economy, our communities, and work and skills – providing a clear framework for how everyone at ScottishPower can contribute to long-term positive outcomes.

During 2025, we completed a full review of Action 2030 by updating targets to ensure they remain ambitious and aligned with the organisation's long-term direction and renewing our actions to help achieve our long-term vision.

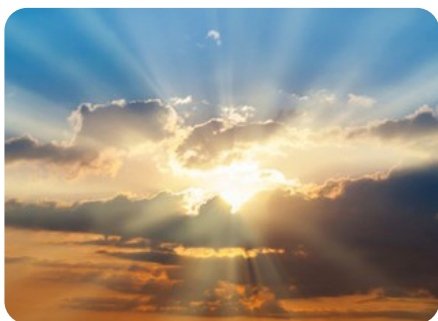
Action 2030 sets out 17 targets. From our engagement with communities to network infrastructure development, our targets represent stretching ambitions that will help drive our decision-making now, and into the future. We will track our progress against these targets, and we will carry out a full review in 2030. The revised targets are outlined below.



Clean energy

2030 Vision: ScottishPower is leading the UK's transition to more affordable energy.

- Investing £11.6 billion in Energy Networks by 2028
- 5,000 MW installed renewable capacity by 2030
- Grow Smart Solutions to 1.4 million solutions by 2030



Climate action

2030 Vision: ScottishPower has reduced its direct and indirect value chain greenhouse gas footprint in line with climate science, while strengthening our business adaption and resilience to climate change.

- Achieve our 2030 near-term 1.5°C science-based emissions reduction target
- 100% sustainable light vehicle fleet by 2030



Nature

2030 Vision: ScottishPower has delivered a net positive impact on biodiversity and ecosystems.

- Deliver net positive impact on biodiversity by 2030

SUSTAINABILITY *continued*



Circular economy

2030 Vision: ScottishPower has minimised resource use and waste and established circular processes that keep materials in use at high value for the long-term.

- Zero waste to landfill by 2030
- 100% wind turbine blade recycling and solar panel recycling by 2030



Our communities

2030 Vision: ScottishPower is actively developing resilient, empowered communities with our partners.

- 1,000 employee volunteering days per year by 2030
- Raising £50 million for Cancer Research UK
- Deliver up to £250 million in community benefit funding to communities over the lifetime of our onshore wind farms
- £40 million in benefits to vulnerable and disadvantaged customers in fuel poverty, and to support the low-carbon transition to net zero in our distribution network by 2028
- Total amount donated to the ScottishPower Foundation to reach over £24 million by 2030



Work and skills

2030 Vision: ScottishPower has a high performing representative workforce and a resilient supply chain capable of meeting our current and future needs.

- $\geq 90\%$ of purchases from sustainable suppliers by 2030
- Over 450,000 young people will have been introduced to career opportunities in STEM by 2030
- Committed to the wellbeing of our staff by achieving ISO 45003 mental health and wellbeing accreditation by the end of the 2026, and maintaining this to 2030
- Committed to achieving EDGE+ (gender & intersectionality) accreditation by 2026 and maintaining this to 2030

Our commitment to collaboration extends to our active engagement with external partners, peers, and stakeholders. We are members of prominent organisations such as the Corporate Leaders Group UK, the Aldersgate Group, and the UN Global Compact. In Scotland, we proudly support the Climate Emergency Response Group and remain an active member of the Scottish Business Climate Collaboration. We are also engaged with the Sustainable Glasgow Green Economy Hub.

The following sections provide an overview of the progress we achieved in environmental and social impact during 2025, encompassing:

- Environment;
 - Climate, including Taskforce on Climate-related Financial Disclosures and Streamlined Energy and Carbon Reporting;
 - Nature; and
 - Circularity
- Social Impact.

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT

We are committed to reducing our environmental footprint and responding to the risks and opportunities of climate change by:

- reducing emissions to air, land and water and preventing environmental harm;
- identifying and managing climate risks and opportunities, and implementing adaptation measures where required;
- minimising energy consumption and use of natural and human-made resources;
- sourcing material resources responsibly, cutting waste and encouraging re-use and recycling; and
- protecting natural habitats and restoring biodiversity.

Climate

The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 require certain companies to provide clear and decision-useful insight into the climate-related risks and opportunities relevant to the organisation.

The Regulations require companies to report in accordance with the four pillars of the Task Force on Climate-related Financial Disclosures ("TCFD"): Governance, Risk Management, Strategy, and Metrics and Targets.

This table outlines where our consideration of each climate-related financial disclosure requirement can be found within the Strategic Report:

	REQUIREMENT	PAGE REFERENCE
Governance	Description of our governance arrangements in relation to assessing and managing climate-related risks and opportunities.	Refer to pages 36 and 37
Risk management	Description of how we identify, assess, and manage climate-related risks and opportunities.	Refer to pages 37 and 38
	Description of how the processes for identifying, assessing, and managing climate-related risks are integrated into our overall risk management process.	Refer to pages 38 and 39
Strategy	Description of the principal climate-related risks and opportunities arising in connection with our operations and the time periods by reference to which those risks and opportunities are assessed.	Refer to pages 39 to 45
	Description of the actual and potential impacts of the principal climate-related risks and opportunities on our business model and strategy.	Refer to pages 39 to 45
	Analysis of the resilience of our business model and strategy, considering different climate-related scenarios.	Refer to pages 39 to 45
Metrics and targets	Description of the targets used by us to manage climate-related risks and to realise climate-related opportunities and of our performance against those targets.	Refer to pages 45 to 48
	Description of the KPIs used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those KPIs are based.	Refer to pages 45 to 48

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT *continued*

Governance

Climate change is integrated into many aspects of our corporate governance and is visible throughout ScottishPower. The internal governance framework applied by the Group, and therefore the Company, is known as the ScottishPower Governance and Sustainability System ("SP GSS"), which is approved by the SPL Board. This internal framework has been conscientiously and progressively developed and is based on a commitment to sustainability and directly references the United Nations Sustainable Development Goals ("UN SDGs"). Refer to the 'Corporate governance system' section of the Directors' Report for further details on the SP GSS.

Each of the companies within the Energy Networks, Renewable production and Customer business divisions adopt a governance and sustainability system approved by the relevant Head of Business Company ("Business GSS"). Each Business GSS is modelled on the SP GSS and tailored to the relevant division.

For the Renewable production and Customer business divisions, the Head of Business companies that approve the relevant Business GSS are, SPREL and SPRH respectively.

SPENH approves the Business GSS applicable to companies in the Energy Networks division with the exception of those companies in the ENWH Group. NWEN UK approves, as a Head of Business company, the Business GSS applicable to the ENWH Group.

Policies for managing climate-related risks and opportunities

There are policies within the SP GSS that are used to assess and manage climate-related risks and opportunities. Our natural capital policies (Management and Protection of Nature, Climate Action and Biodiversity) are aligned with the goals and the path established by the Paris Agreement and the UN 2030 Agenda for Sustainable Development. These policies constitute ScottishPower's approach to environmental challenges such as climate change and biodiversity loss, while helping to identify and take advantage of the climate-related opportunities arising from the energy and ecological transition. This builds upon transparency and good governance policies like the ScottishPower Sustainable Development Policy ("SDP"), which promotes the values of sustainability, integration and dynamism.

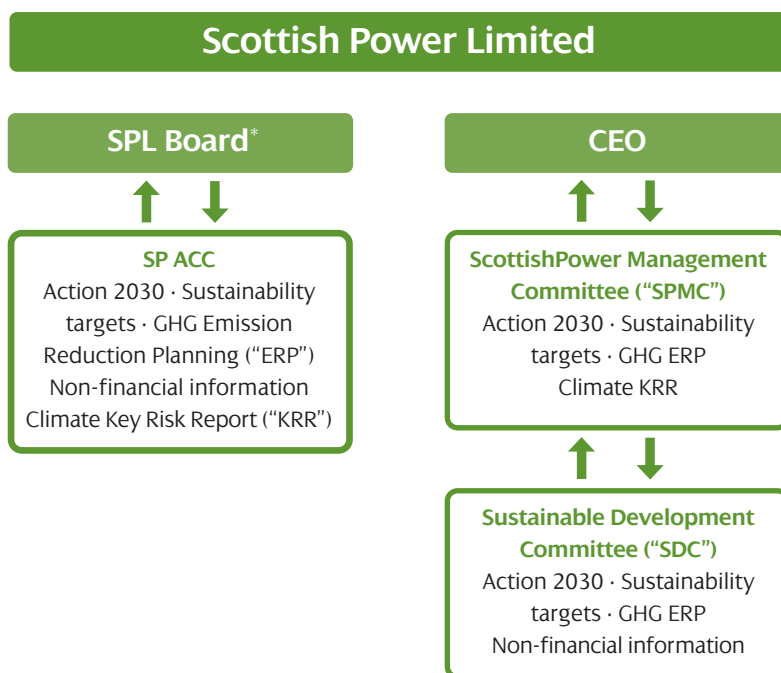
ScottishPower group structure and the SPL Board and its committees

Overview of climate governance framework

The SPL Board makes decisions and dispenses with matters in accordance with its own terms of reference and the Company's Articles of Association including the approval of the Company's non-financial information, which has been prepared in accordance with the following description of the applicable group governance provisions. Refer to the 'Corporate governance' section of the Directors' Report for further details. As SPL is the holding company of ScottishPower, the SPL Board is accountable for the governance arrangements we have in place in relation to assessing and managing climate-related risks and opportunities (see diagram below), and receives updates on:

- progress against science-based GHG emissions reduction targets (Scope 1, 2 and 3);
- Action 2030 progress;
- ScottishPower's contribution to global sustainability targets;
- developments in disclosure regulation; and
- supply chain ESG credentials.

Non-financial information (such as progress towards reducing Scope 1, 2 and 3 GHG emissions) is reviewed and approved by the SPL Board and also noted by each of the boards of our Head of Business companies.



*SPL Board including the ScottishPower Executive Committee (refer to page 56)

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT *continued*

The Iberdrola Non-Financial Information Internal Assurance Committee mirrors the process for financial reporting, demonstrating the importance we place on non-financial reporting and is attended by relevant senior colleagues from ScottishPower.

ScottishPower Audit and Compliance Committee (“SP ACC”)

The SP ACC is an independent internal committee of the SPL Board with no executive powers. Refer to the ‘SP ACC’ section of the Directors’ Report for further details. In respect of providing oversight to the SPL Board of climate-related risks and opportunities, some of its functions include:

- The supervision of the sustainable development activities of ScottishPower and, particularly, whether its environmental and social practices conform to the global strategy and policies of Iberdrola, and of ScottishPower, and report on the same to the SPL Board.
- Ensuring that the main environmental risks in accordance with the general monitoring and risk management policy, are identified, managed and adequately reported.
- Promoting a strategy in which risk is a key factor to be considered in all decisions and at all levels within ScottishPower.

ScottishPower Sustainability and Reputation Committee (“S&RC”)

The S&RC was created in 2025 and is jointly chaired by the Head of Climate Change and Sustainability and the Head of Sustainability Reporting, is a cross-functional body, responsible for supporting the Company’s Sustainability division with its functions regarding sustainability and reputation. Its key responsibilities include:

- Overseeing the processes and methodologies for assessing impacts, risks, and opportunities related to sustainability matters, and approving the conclusions of double materiality assessments of ScottishPower and its subsidiaries.
- Promoting policies related to sustainable development and reputation, as well as developing the rules and procedures necessary for their implementation and follow-up.
- Ensuring, in coordination with the ScottishPower Risk Committee, that the main sustainability and reputation risks faced by the Company and its subsidiaries are identified.
- Facilitating the sharing of best practice as it relates to sustainable development within the Group.

The Sustainable Development Committee is a cross-business working group and provides a platform for dissemination of S&RC information and other sustainability actions.

Sustainable development and reporting

The Sustainability Reporting team have responsibility for navigating sustainability regulations and disclosure requirements that impact the Group, either directly or indirectly through our ultimate parent company, Iberdrola. This includes the coordination of ScottishPower’s contribution of non-financial information to Iberdrola’s ERSR disclosure which is required to meet the EU Corporate Sustainability Reporting Directive (“CSRD”).

Within the CEO’s Office, working alongside the Sustainability Reporting team, the Climate Change and Sustainability team continue to drive sustainable development initiatives that will help us play a leading role in tackling the climate crisis and contributing to the UN SDGs. The Head of Climate Change and Sustainability meets with the CEO regularly throughout the year, giving sight of our GHG scorecard and regular opportunities to review progress and highlight barriers. The Heads of Sustainability Reporting and Climate Change and Sustainability both attend the SP ACC and SPMC at various points throughout the year to provide updates on climate-related risks and opportunities, Action 2030, sustainability targets, non-financial information, and the GHG ERP.

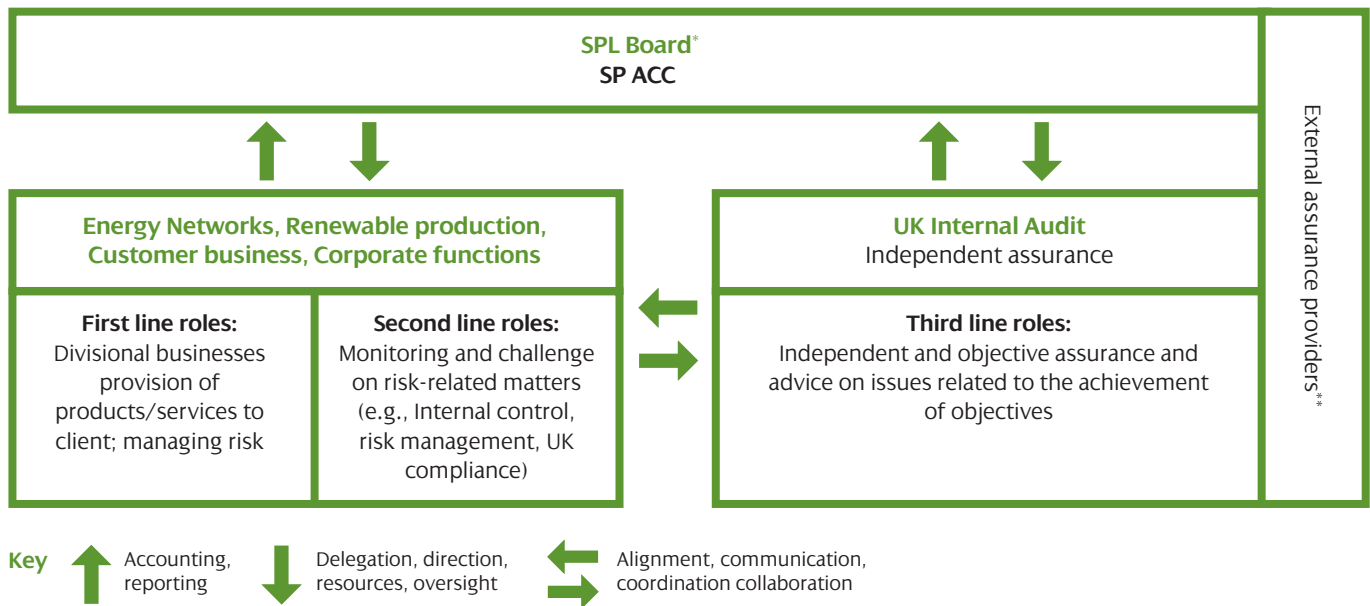
In 2025, we completed our climate training programme for members of the senior management population focusing on providing them with background knowledge and tools to help drive sustainability into their business area processes through action planning. We have also developed a new suite of online training modules that cover sustainability, climate change, and social impact.

Risk management

The SPL Board and senior management is strongly committed to, and engaged in, the management of ScottishPower’s risks including those related to climate. ScottishPower adopted Iberdrola’s ‘Three Lines Model’ as our internal control system (illustrated overleaf), to ensure all significant risks are adequately identified, measured, managed, controlled, and regularly reported to all relevant internal and external stakeholders. Our Three Lines Model is based on an assurance system combined around three lines, providing a comprehensive view of how the different parts of the organisation interact in an effective and coordinated manner, increasing the efficiency of the processes for management and internal control of the entity’s significant risks.

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT *continued*



* SPL Board including the ScottishPower Executive Committee (refer to page 56).

** Sustainability disclosures within the Annual Report and Accounts do not obtain external assurance, with the exception of the GHG inventory assurance review.

We review and approve acceptable levels of risk tolerance on an annual basis through risk policies and limits that establish the qualitative and quantitative risk appetite at the Group level and at each of the divisions. Compliance with the approved risk policies, limits and indicators is monitored periodically throughout the year along with various exposures, significant risks and threats.

Integration of climate risks into our Enterprise Risk Management (“ERM”) framework

As a Group principal risk, the identification, analysis and management of the risks and opportunities arising from climate change is integrated into our established and mature ERM framework. Risks are identified and addressed through a multi-departmental and multi-level process coordinated by our Risk Management department, involving significant collaboration between divisions and corporate functions. The ENWH Group does not currently participate in the Group ERM framework, however, the identification, management and assessment of climate-related risks are fully aligned to the ENWH Group’s risk management framework.

The KRR is a repository for our risks representing our ERM framework to assist in achievement of both our short and long-term goals. Effective application of the KRR facilitates the ongoing informed decision-making required to meet our business objectives. Risk reporting is well embedded within the business, and climate change risks are identified and assessed as part of the KRR process and are considered in line and with the same templates and standards as any other risk.

Each of the divisions and corporate functions compile their transition and physical climate change risks at least on a quarterly basis and submit to Risk Management who review the initial assessment of each risk and the mitigation strategy. To assess each climate-related risk, information related to the following is provided in each KRR template:

- Description – the specific climate change issue and how that causes the Group down-side risk along with the implications.
- Mitigation – the plan(s) to reduce the impact of this risk or remove it altogether.
- Owner – the owner accountable for managing the climate-related risk.
- Probability – the likelihood the risk crystallises.
- Short-term impact – an estimate of the financial impact in the next twelve months, if any.
- Long-term impact – an estimate of the financial impact beyond the next twelve months, if any.
- Reputation – consider if there is a direct reputational impact for the business.
- Evolution – whether the risk has increased, decreased or remains the same since the last quarter.
- Risk Factor – consider if the risk manifests itself as market, operational, business, credit or regulatory.
- Priority – climate-related risks are ranked high, medium or low in the context the specific division or corporate function.

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT *continued*

The KRRs are then consolidated by Risk Management, who support and challenge the information provided, and report based on materiality each quarter at the SP ACC, SP Risk Committee, and the Iberdrola Audit and Risk and Supervision Committee.

SP ACC	<ul style="list-style-type: none"> Given assurance main environmental risks are identified, managed and reported Reports to the SPL Board on the internal control and risk management systems
SP Risk Committee	<ul style="list-style-type: none"> Review and approve the KRR
Risk Management	<ul style="list-style-type: none"> Overall coordination Review risk assessment and mitigation strategy, challenging information provided Consolidate and report based on materiality to the SP ACC and Iberdrola Audit and Risk Supervision Committee
Divisions and corporate functions	<ul style="list-style-type: none"> Identify climate risks and opportunities and assign owner Assess and prioritise each climate risk Agree mitigation strategy considering any existing controls

Strategy

This section outlines our overall strategy and approach to the management of climate-related risks and opportunities. It examines our principal transition, physical risks and other opportunities against relevant climate scenarios. It then describes the mitigation, adaptation and resilience activities underway to manage transition and physical risks and opportunities.

Our strategy for effectively managing climate-related risks and opportunities is founded on a long history of proactive action. For the last several decades, we have been a disruptor and innovator in the UK energy market. Our actions – including spearheading the widespread adoption of onshore and offshore wind generation and becoming the first major UK energy firm to completely drop fossil fuel generation in favour of renewables – have enabled us to reduce climate risk and realise opportunities to create sustainable value. We are now also driving the accelerated adoption of EV charging technologies and smart solutions, supported by an increasingly flexible and smart electricity network.

Being an early mover in these areas has created an element of business risk but has also enabled us to realise significant business opportunities that otherwise would not have been open to us. As the impacts of climate change become ever more tangible, it is important that our strategy for risk and opportunity management continues to evolve in order to maintain a strong and competitive business in the short, medium, and long-term.

Climate related risks can be categorised into three broad groups:

TRANSITION	PHYSICAL	OTHER
<p>Associated with the global decarbonisation process, such as the evolution of:</p> <ul style="list-style-type: none"> strategy; legislation; policy; regulation; markets and supply chains; technology; competition; financial; reputational developments; demand; and reporting requirements. 	<p>Stemming from possible material impacts on facilities and the supply chain as a result of the evolution of climate variables, such as:</p> <ul style="list-style-type: none"> heatwaves; increased temperature and hydrological variability; drought and increased dust; rising sea levels and temperatures; cold waves and increased precipitation; rising flooding levels and increased flooding re-occurrence; erosion and soil degradation; changes in weather patterns; invasive species; and wildfires. 	<p>These may arise as a result of physical and transition risks, including:</p> <ul style="list-style-type: none"> those relating to deterioration in the credit of counterparties (suppliers, banks, others); social phenomena (humanitarian crises, impacts on crops and fishing, refugee crises, epidemics); greater competition for financial resources; and greater drive for efficiency and transparency.

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT *continued*

Our approach to the management of climate-related risks and opportunities considers the relevant time horizons for our divisions. Business planning covers a range of time horizons, including:

- our current 2025-2028 strategic plan;
- our Action 2030 sustainable development targets;
- our 2030 near-term science-based target and Group 2039 net zero target; and
- the expected remaining useful lifespan of our current assets, which extends up to 60 years.

For the purposes of risk and opportunity analysis, three relevant time horizons are selected:

- transition risks – 2030, 2040 and 2050 to represent the short, medium and long-term; and
- physical risks – 2021-2040, 2041-2060 and 2080-2100 to represent the short/medium, long and very long-term, in line with Intergovernmental Panel on Climate Change projection horizons.

The ENWH Group has been included within ScottishPower's 2025 scenario analysis.

Our analyses over these time horizons indicate that our business is in a strong position to respond to the potential effects of, and realise the opportunities related to, climate change.

Transition risks, opportunities and scenario analysis

Our anticipation and management of transition risks and opportunities over the past decades has been central to cementing our position as a leader in renewable energy and the fight against climate change. The following section describes the principal climate transition risks identified as the most relevant to our strategy and activities under different climate scenarios, describes our current approach to mitigating these risks and outlines relevant opportunities. The resilience of our global group business model and strategy to minimise transition risks, and our ability to realise opportunities, is reviewed annually. Refer to the 2025 Iberdrola Sustainability Report for greater detail on the assessment process and assumptions underpinning this analysis.

Transition risks and scenario analysis

The analysis of transition risks arising from climate change includes ScottishPower's main activities:

- electricity transmission and distribution;
- renewable generation; and
- sale of electricity and gas.

The quantitative assessment of material risks has been undertaken in line with the requirements of the ESRS and the TCFD Technical Supplement on The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities and considering the following factors:

- **Impact** indicates the magnitude of the potential effects perceived by the business, based on the state of the company, the assumptions and considerations within the climate scenarios, and the time horizons used. It integrates the criteria of magnitude, duration and probability of the event. ESRS Impact is assessed using three International Energy Agency climate scenarios compatible with our business activities:
 - **Stated policies ("STEPS")** This scenario is designed to provide an idea of the predominant direction of the progression of the energy system, based on an achievement of the current policy landscape, examining in detail government action to achieve its objectives and goals across the energy economy, from a more conservative perspective. The results in STEPS reflect a sector-by-sector review of policies and measures that are actually in place or have been announced; Aspirational energy or climate goals are not automatically assumed to be met. Currently, STEPS are associated with a temperature increase of 2.4 degrees Celsius ("°C") by 2100.
 - **Announced pledges scenario ("APS")** This scenario assumes that governments will meet, in full and on time, all climate-related commitments they have announced, including long-term net zero emissions targets and nationally determined contributions, as well as commitments in related areas such as energy access. Pledges made by companies and other stakeholders are also taken into account when contributing to the ambition set by governments. APS is associated with a temperature increase of 1.7°C in 2100.
 - **Net zero emissions ("NZE")** This scenario represents a roadmap for the energy sector to limit global temperature rise to 1.5°C above pre-industrial levels by 2100. The NZE scenario maintains the focus of the International Energy Agency's 2023 update to the Net Zero Roadmap: A Global Pathway to Keep the 1.5°C Goal in Reach. In addition, the NZE scenario meets the energy-related UN SDGs, in particular universal access to reliable modern energy services by 2030 and significant improvements in air quality, significantly mitigating the effects of climate change in the long-term.
- **Vulnerability** indicates the degree of susceptibility or exposure of the activity facing the risk. It is not dependent upon climate scenarios or time frames, but on the current nature or condition of the activity.
- **Time horizons** to 2030, 2040 and 2050, corresponding to short, medium and long-term respectively, are used in the assessment impact. These horizons have been selected to align with ScottishPower's Action 2030 strategy, Iberdrola's Climate Action Plan, and the information provided by the climate scenarios.

The assessment of impact and vulnerability determines inherent risk. In order to assess impact, inputs provided by relevant business areas have been assessed in relation to key climate transition scenario parameters (including for example wholesale electricity price and gas demand projections) across three time horizons established in accordance with:

- the climate scenario projections;
- the useful life of assets;
- internal assumptions regarding the future of the sector;
- the strategic vision of the Group; and
- Iberdrola's Climate Action Plan.

Mitigating actions and initiatives have been evaluated for each inherent risk in order to determine risk.

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT *continued*

Following the process above, and considering mitigation measures, no material risks have been identified, as outlined in the following table:

Division	Potential risk	Activity	Stated policies			Announced pledges scenario			Net zero emissions		
			2030	2040	2050	2030	2040	2050	2030	2040	2050
Energy Networks	Incorporation of sulphur hexafluoride ("SF ₆ ")-free equipment.	Electricity distribution and transmission	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
Renewable production	Incorporation of SF ₆ -free equipment.	Renewable generation	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
	Price reduction in wholesale electricity markets.	Renewable generation	Yellow	Green	Green	Yellow	Green	Green	Yellow	Green	Green
Customer business	Increased competition in the electricity sales market.	Electricity commercialisation	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
	Decline in natural gas commercialisation, driven by both regulatory/legal requirements and market/consumer trends.	Gas commercialisation	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
	Potential closure of natural gas commercialisation activities.	Gas commercialisation	Green	Green	Yellow	Green	Yellow	Yellow	Green	Yellow	Yellow

Key:

No risk detected	Non-material risks	Material risks
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Although the above process has determined that there are currently no material transition risks for ScottishPower, we remain focused on maintaining this low risk profile through proactive management as outlined in the 'Risk management' section above.

Transition opportunities

Climate-related transition opportunities are identified at an activity level across five key TCFD areas (resource efficiency, energy sources, products and services, markets and resilience) and are proactively managed. Eight relevant potential opportunities have been considered in relation to their potential contribution to higher business growth in the UK. These opportunities have been analysed using an appropriate evaluation and quantification model.

TCFD type	TCFD category	Potential opportunity
Products and services	Development and/or expansion of low-emission goods and services	<ul style="list-style-type: none"> Heat pumps EV charging
	Ability to diversify activities	<ul style="list-style-type: none"> Transmission and distribution networks Electricity generation Battery storage Electricity marketing
Markets	Diversification of business activities	<ul style="list-style-type: none"> Voluntary carbon credit markets

Physical risks, opportunities and scenario analysis

Physical risks and scenario analysis

ScottishPower monitors and manages physical risks using established climate science and applies the learning to internal processes, with a focus on planning, execution, control, and continual improvement. Physical risks are specific to each division or site, associated with each technology, and occur over relatively long periods. The following section outlines the physical climate-related hazards and material physical risks identified as the most relevant to our assets and activities, evaluating potential impacts by technology, time horizon and location across three scenarios. All assets, activities and geographies within the Group have been considered. Given their comparative resilience, underground distribution and transmission electricity cables have been excluded from the ScottishPower-level analysis at an early stage as the potential climate risk to these assets is considered negligible when compared to other technologies.

- **Identification of relevant climate-related hazards** – a screening has been performed in line with Commission Delegated Regulation (EU) 2021/2139 to identify the climate-related hazards relevant to our locations, technologies and activities.
- **Assessment of climate-related hazard applicability to specific technologies** – an assessment has been undertaken to identify the hazards applicable to ScottishPower's technologies.
- **Identification of relevant physical risks** – an evaluation of the physical risks resulting from the combination of climate hazards and specific technologies, mainly related to either material damages or production losses.

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT *continued*

- **Asset identification** – identification and geolocation of all assets by technology type in order to perform a risk assessment at asset level.
- **Climate exposure** – assessment of assets under relevant climate scenarios, resulting in the identification of exposure levels for each asset. This stage uses the following scenarios (definitions from the Intergovernmental Panel on Climate Change (“IPCC”) Summary for Policymakers):
 - **Representative Concentration Pathways (“RCPs”)** ‘RCPs are scenarios that include time series of emissions and concentrations of the full suite of GHGs and aerosols and chemically active gases, as well as land use/land cover.’
 - **Shared Socioeconomic Pathway (“SSP”) 1-2.6 – Low emissions scenario (+1.8°C)**. ‘SSP1 includes a peak and decline in population (around 7 billion in 2100), high income and reduced inequalities, effective land-use regulation, less resource intensive consumption, including food produced in low-GHG emission systems and lower food waste, free trade and environmentally friendly technologies and lifestyles. Relative to other pathways, SSP1 has low challenges to mitigation and low challenges to adaptation (i.e., high adaptive capacity).’
 - **SSP2-4.5 – (+2.7 °C)** ‘SSP2 includes medium population growth (around 9 billion in 2100), medium income, technological progress, production and consumption patterns are a continuation of past trends, and only a gradual reduction in inequality occurs. Relative to other pathways, SSP2 has medium challenges to mitigation and medium challenges to adaptation (i.e., medium adaptive capacity).’
 - **SSP5-8.5 – (+4.4 °C)** ‘SSP5 includes a peak and decline in population (around 7 billion in 2100), high income, reduced inequalities, and free trade. This pathway includes resource-intensive production, consumption and lifestyles. Relative to other pathways, SSP5 has high challenges to mitigation, but low challenges to adaptation (i.e., high adaptive capacity).’
- **Risk assessment** – consideration of sensitivity and adaptive capacity for each technology type and physical risk.
- **Time horizons 2021-2040, 2041-2060 and 2080-2100**, corresponding to short-medium, long and very long-term respectively, are used in the assessment of both sensitivity and exposure. These defined time horizons allow us to correctly observe the evolution of climate events, as if closer time periods were used, no substantial differences between the projections would be observed. These long-term horizons are typical of climate scenarios and physical risk assessment, so they do not necessarily coincide with the time horizons used by the Group for other purposes (for example, in terms of financial planning), nor with the horizons used by the transition scenarios. Current ScottishPower assets within the scope of this analysis are expected to have a remaining useful life of between 10 and 50 years. This corresponds to the short/medium-term (2021-2040) and long-term (2041-2060) horizons. In the very long-term (2080-2100), the effects of climate change are greatest, but the Group’s currently operating assets will have reached the end of their useful lives.
- **Materiality** – an appropriate asset materiality threshold has been determined.

The identification of relevant climate-related hazards has been undertaken at an Iberdrola level, identifying twelve threats as having the potential to affect ScottishPower technologies and activities.

Hazards ruled out by this analysis include:

- Those which do not affect the Group’s activities, such as ocean acidification, saline intrusion and soil degradation and erosion.
- Those which are not expected to occur in geographical areas in which the Group operates, such as overflow of glacial lakes, thawing of permafrost or solifluction.
- Those where modelling and consequences are similar to hazards already included, such as temperature variations, precipitation or hydrological variability, groundwater flooding or avalanche.
- Those where access to projection and modelling data is currently non-existent or very scarce or too uncertain, such as variation in wind patterns, hail and dust storms, changes in rainfall patterns and types and land subsidence.

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT *continued*

The table below outlines the results derived from this process:

Potential hazards		Potential residual risks by technology, location, scenario and timeframe																							
		England	Scotland	England	Ireland	N.Ireland	Scotland	Wales	England	Scotland	Wales	England	Ireland	Scotland	England	Scotland	Wales	England	Scotland	Wales	England	Scotland	Wales		
Heat stress	Productive capacity of workers																								
Temperature variability	Efficiency reduction in energy generation, transmission and distribution																								
Heat wave	Efficiency reduction in generation, transmission and distribution																								
	Damage to assets and infrastructure																								
Cold wave	Damage to assets and infrastructure																								
Wildfires	Damage to assets and infrastructure																								
Cyclone, hurricane and typhoon	Damage to assets and infrastructure																								
Storm	Efficiency reduction in energy generation operations																								
	Damage to assets and infrastructure																								
Sea level rise	Damage to assets and infrastructure																								
Water stress, drought	Efficiency reduction in energy generation operations																								
Heavy precipitation	Efficiency reduction in energy generation operations																								
	Damage to assets and infrastructure																								
Floods	Damage to assets and infrastructure																								
Landslides	Damage to assets and infrastructure																								

Key:

Hazard not relevant for this technology	No risk detected across all scenarios and time horizons	Non-material risk detected*	Material risks detected*
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*Where risks are detected, the relevant table cells are divided to show how risk materialises across the scenarios and time horizons below.		
2021-2040	2041-2060	2081-2100
SSP 1-2.6	SSP 1-2.6	SSP 1-2.6
SSP 2-4.5	SSP 2-4.5	SSP 2-4.5
SSP 5-8.5	SSP 5-8.5	SSP 5-8.5

As illustrated by the table above, the only material physical risks identified currently for ScottishPower are the risks of sea level rise and flooding upon Energy Networks' ground-mounted substations:

Sea level rise – Sea level will continue to rise up-to and beyond the end of the 21st century, with projections up to 1 meter increase by 2100 under a high -emission scenario. Extreme sea levels will increase due to the rise in mean sea level, increasing the risk of coastal flooding and erosion to our coastal assets.

Floods – Winter precipitation is projected to increase, increasing the risk of flooding at substations. Extreme hourly rainfall is projected to increase in winter. A decrease in summer precipitation increases the likelihood of drought, increasing risks of earth and ground movement on Energy Networks' assets.

We outline the measures underway to adapt to these hazards in risk mitigation, adaptation and resilience overleaf.

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT *continued*

Physical opportunities

The activities and technologies we deploy to maintain resilience to physical climate-related risks give rise to a number of related opportunities, including:

- Greater digitalisation and automation.
- Minimisation of response times.
- Reliable and resilient electrical power supply.
- Contributions to local communities.
- Innovation, research and development for new technology and tools.
- More resilient designs and equipment.
- Minimisation of environmental impact.
- Support for start-ups.
- Increased development of renewables and networks.
- Investment in storage technology.
- Seasonal climate trends that increase overall demand for electricity.

Risk mitigation, adaptation and resilience

Based on the results of the detailed scenario analysis above, we believe our business model and strategy remain resilient. Risk mitigation, adaptation and resilience activities are core to our business activities and our business model and strategy will continue to adapt to evolving risks and opportunities.

As an operator of critical national infrastructure, Energy Networks voluntarily reports under the UK Government's Climate Change Adaptation Reporting Power and has developed mature climate resilience strategies. Recognising the risks and opportunities related to adaptation and resilience across different types of infrastructure, Energy Networks, Network Rail and Scottish Water set up the Climate Ready Scottish Infrastructure Forum in Autumn 2024. This is helping infrastructure organisations in Scotland work together to identify climate related risk interdependencies, identify and deliver adaptation planning for vulnerable locations, and identify future partnership working opportunities.

Customer business has assessed its exposure to climate hazards and developed a climate adaptation action plan. In 2025, Renewables production started a programme of work to review physical climate risks across the offshore and onshore operations in order to develop appropriate adaptation plans.

Resilience and adaptation to transition risks

ScottishPower's current positioning as a result of our investment focus on grids and renewable energy puts us in a favourable position for facing transition risks. We believe that the opportunities stemming from the decarbonisation of the global economy (growth in renewables, investments in integrated smart grids, electrification of transport, green energy, etc.) outweigh the risks.

Our overarching risk management mechanisms and mitigating actions relating to the transition include:

- A strong business model with financial capacity to deal with change.
- Integration of climate change in management and corporate governance activities.
- Early action to transform the business model to adapt to climate change, allowing it to minimise transition risks and take advantage of the related opportunities.
- Management of risks deriving from climate change embedded in business processes, such as emergency and business continuity plans.
- Consideration of climate change in investment decision-making.
- Regulatory and insurance coverage.
- Diversity, including geography, technology and age of assets.
- Proactive engagement, partnership and dialogue on adaptation and climate science to deliver cost-efficient resilience solutions.
- Strong innovation focus.

Resilience and adaptation to physical risks

Our low risk of impacts is due, in a large part, to the robustness of existing concept, location, design, planning and operation specifications, which aim to anticipate and prepare for changing climate conditions. Progressive renewal and evolution of assets enables adaptation to medium to very long-term impacts. Specifications for new equipment take account of future weather scenarios and technical improvements to extract greater lifetime value from new projects.

Where potential future impacts are identified, adaptation plans are developed and delivered, including the following existing and proposed actions:

Sea level rise

- Protecting grid and primary substations against coastal flooding in line with industry regulations and up to date flood mapping data.
- Constructing any new substations at a level above any potential coastal flooding and erosion.
- Policy for emergency planning and major incident management in place and regularly reviewed.
- Training appropriate fault response staff in how to access assets impacted by coastal flooding or erosion.
- Working with coastal landowners to develop natural coastal protection, such as salt marsh reintroduction or dune naturalisation.
- Asset condition monitoring of concrete foundations on sites near to the coast or in coastal erosion hotspots.
- Incorporating the monitoring and surveying of tree root exposure associated with coastal erosion and flooding into vegetation management practices where appropriate.

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT *continued*

Floods

- Protecting grid and primary substations against flooding in line with industry regulations and up to date flood mapping data.
- Actively investing in flood management at lower criticality substations.
- Striving to use nature-based solutions for flood-proofing substations, only using grey infrastructure as a last resort.
- Relocating existing sites to outside of flood zones where possible.
- Designing new or replacement substations with flood risk in mind.
- Maintaining and improving relationships with relevant agencies and authorities to obtain up-to-date flood risk and impact information, develop joint flood mitigation initiatives where feasible, and engage in the revision or development of local flood strategies.
- Training appropriate fault response staff in how to access assets that are inundated or where access is restricted due to flood waters.
- Incorporating the repair, maintenance and ongoing inspection of flood defence assets at substations into business-as-usual processes.
- Building an understanding of staff home locations and transport options and developing processes that enable staff to work from home where possible when routes to work are affected by flooding.
- Deploying portable flood defence equipment at strategic locations.
- Incorporating the monitoring and surveying of tree root exposure associated with soil erosion and flooding into vegetation management practices where appropriate.

While not currently identified as a material risk by the scenario analysis, ENWL is currently investing in additional adaptation measures in response to recommendations from DESNZ and Ofgem to increase network resilience in the wake of Storm Arwen in 2022. The resulting improved storm resilience and response was evident through improved customer restoration times after Storm Éowyn in January 2025.

Metrics and targets

The realisation of climate-related opportunities and the management of climate-related risks is central to our business strategy and model and is therefore embedded in our business targets. These targets show the direction of the future operations of the Group and are measured by a suite of relevant metrics. Details of these targets and metrics and our progress against them is featured throughout this report. The following table summarises the key targets and related metrics including timeframes where possible. It also provides references to where target performance is discussed throughout this report.

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ENVIRONMENT *continued*

TARGET	METRIC	FURTHER INFORMATION
5,000 MW installed renewable capacity by 2030	GW onshore renewables GW offshore renewables	'Renewable production – Operating review' and 'Outlook for 2026 and beyond' section of the Strategic Report on pages 23 and 25 respectively.
Deliver RIIO-T2 and RIIO-ED2 commitments on network reliability, availability and network resilience by 2026 (transmission) and 2028 (distribution) respectively	% Reliability Customer interruptions Customer minutes lost	'Energy Networks performance' section of the Strategic Report on page 22.
Deliver our GBIS obligations by 2026	Properties treated	'Energy customers – Customer business' section of the Strategic Report on page 12.
≥ 90% of purchases from sustainable suppliers by 2030	% of total purchase value	'Suppliers and contractors' section of the Strategic Report on page 14.
Reduce absolute Scope 1, 2 and 3 emissions from fuel and energy related activities and use of sold products 64% by 2030 from a 2019 base year	GHG inventory, tonnes of carbon dioxide equivalent ("tCO ₂ e")	'Greenhouse gases' section of the Strategic Report on pages 46 to 48.
Reduce absolute Scope 1 and 2 GHG emissions 47% by 2030 from a 2019 base year	GHG inventory, tCO ₂ e	'Greenhouse gases' section of the Strategic Report on pages 46 to 48.
Reduce absolute Scope 3 GHG emissions from use of sold products by 28% by 2030 from a 2019 base year	GHG inventory, tCO ₂ e	'Greenhouse gases' section of the Strategic Report on pages 46 to 48.
Reduce Scope 3 (cat 3) emissions from all sold electricity 100% per MWh by 2030 from a 2019 base year	GHG inventory, tCO ₂ e	'Greenhouse gases' section of the Strategic Report on pages 46 to 48.
Grow Smart Solutions to 1.4 million Solutions by 2030	Number of smart solutions	'Our activities – Customer business', 'Innovation – Customer business' and 'Customer business – Outlook for 2026 and beyond' on pages 1, 16 and 28 respectively.
100% sustainable light vehicle fleet by 2030	% deployment	'Greenhouse gases' section of the Strategic Report on pages 46 to 48.

Greenhouse gases

Iberdrola has made a strong commitment to decarbonisation, setting a strategic goal to become net zero in Scopes 1, 2 and 3 (explained overleaf) before 2040. This commitment to a net zero path is central to Iberdrola's sustainable business strategy and aligns with the UN SDGs.

In 2022, ScottishPower set a science-based target, complementing the targets set by Iberdrola. The target commits ScottishPower to reduce absolute Scope 1, 2, and 3 GHG emissions from fuel and energy-related activities and use of sold products by 64% by 2030 from a 2019 base year. This includes a Scope 1 and 2 absolute reduction target of 47% by 2030 from a 2019 base year (which is consistent with reductions required to keep global-warming to 1.5°C), a Scope 3 absolute reduction in category 3 emissions from all sold electricity of 100% from a 2019 base year and a Scope 3 absolute reduction in GHG emissions from use of sold products of 28% over the same timeframe. This year, to reflect the acquisition of the ENWH Group, which has its own existing science-based target based on the regulatory year, we have outlined both baselines and provided a combined annual footprint for 2025.

Work is well underway on our GHG reduction journey, supported by our GHG Emissions Reduction Plan and reporting and delivery structures across ScottishPower.

Inventory

Overall, we have seen a 7% decrease in GHG emissions in 2025 compared to 2024 with a 24% reduction since our baseline year. The table and the accompanying footnotes overleaf present the value chain GHG emissions of the Scottish Power Limited Group for 2025.

Group Strategic Report for the year ended 31 December 2025

ENVIRONMENT *continued*

	Notes	2025		2024 (Note (a))		2019	2019/20 (Note (b))
		kWh	tCO ₂ e (Notes (c),(ii))	kWh	tCO ₂ e (Note (c))	tCO ₂ e (Notes (c),(d))	tCO ₂ e (Note (c))
Combustion of natural gas*	(e),(f)	23,418,294	4,285	18,371,421	3,360	5,406	–
Combustion of fuel for transport*	(e),(f)	48,406,583	11,789	31,737,149	7,578	8,011	–
Combustion of fuel for generators*	(e),(f)	24,113,534	1,481	15,993,572	894	2,200	–
Fugitive emissions SF ₆ , methane (“CH ₄ ”), refrigerants	(e),(f)	–	21,056	–	19,261	21,264	–
Total Scope 1		95,938,411	38,611	66,102,142	31,093	34,901	6,143
Purchased electricity for own use – location-based*	(e),(f),(g),(h),(j)	109,218,803	19,332	88,648,349	18,355	19,624	–
Purchased electricity for own use – market-based	(e),(f),(g),(h),(j)	109,218,803	8,507	88,648,349	6,941	20,534	–
Network losses – gross	(e),(f),(i)	4,398,137,790	778,470	3,149,574,150	652,119	824,300	–
Total Scope 2 location-based		4,507,356,593	797,802	3,238,222,499	670,474	843,924	298,617
Total Scope 2 market-based		4,507,356,593	786,977	3,238,222,499	659,060	844,834	298,617
Business travel – vehicles (employee-owned and leased)*	(f),(k)	11,071,313	2,709	8,583,277	2,039	–	–
Business travel – other (rail and flights)	(f),(k)	–	1,750	–	1,730	5,847	–
Crew transfer vessels	(f),(k)	30,806,955	7,948	28,774,232	7,423	–	–
Employee commuting	(f),(k),(l)	18,983,879	5,454	10,874,857	3,133	2,743	–
Emissions associated with the supply chain	(f),(k),(m)	–	983,697	–	707,636	983,352	–
Fuel and energy-related activities (including product related upstream emissions)	(f),(k),(n)	–	742,362	–	708,327	815,308	–
Waste	(o)	–	–	–	–	6,599	–
Investments	(o)	–	–	–	–	12,651	–
Sale of electricity to end users	(f),(k)	9,015,247,000	4,099,351	11,631,530,000	5,110,451	5,181,525	–
Sale of gas to end users	(f),(k)	17,647,829,000	3,228,847	18,547,690,000	3,392,373	4,749,765	–
Total Scope 3		26,723,938,147	9,072,118	30,227,452,366	9,933,112	11,757,790	75,320
Total location-based		31,327,233,151	9,908,531	33,531,777,007	10,634,679	12,636,615	380,080
Total market-based		31,327,233,151	9,897,706	33,531,777,007	10,623,265	12,637,525	380,080

* Mandatory disclosures required by The Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The remaining information is disclosed on a voluntary basis.

- 2024 figures have been reviewed in response to settlements and improvement in data collection. No changes have been included in the above tables as we restate only where updates result in a significant change. ENWH Group emissions are not included in the 2024 footprint.
- The ENWH Group science-based target baseline based on regulatory year has been included for transparency.
- Tonnes of CO₂ equivalent (“tCO₂e”) is a metric used to compare the emissions from various GHGs on the basis of their global-warming potential (“GWP”) in comparison to the GWP of CO₂. The main GHGs are CO₂, CH₄, nitrous oxide and fluorinated gases.
- Baseline value chain footprint related to the ScottishPower science-based targets.
- We use the GHG Protocol Corporate Reporting Standard and account for Scope 1 and 2 emissions from operations over which we have control, or the relevant proportion for jointly controlled arrangements.
- Data was calculated using relevant DESNZ conversion factors, with the exception of fugitive emissions, which were calculated using Intergovernmental Panel on Climate Change Assessment Report 6 emissions factors.
- Electricity consumption related to ScottishPower-owned EVs is accounted for in ‘Purchased electricity’.
- Electricity for own use is predominantly based on actual meter readings, with estimates where actual data is not available.
- All data reported is based on January to December except for the ENWH Group which is reported April to December for the 2025 year end to reflect acquisition date.
- Scope 2 emissions are presented as both location-based (based on the UK-wide DESNZ conversion factors) and market-based (taking account of the impact of moving our own electricity use to a green tariff).
- We use the GHG Protocol Corporate Value Chain (Scope 3) Standard for calculating Scope 3 emissions.
- Commuting emissions are estimated using staff survey data.
- Supply chain emissions are calculated by spend multiplied by relevant environmentally extended input-output factors. Since 2019 our calculation process has evolved to take greater account of geographic differences.
- This category includes upstream emissions (product, fleet, own gas and other fuels), well-to-tank emissions and transmission and distribution related emissions.
- We include baseline figures for waste and investments for consistency with our science-based targets but have opted to exclude these from annual disclosure while we further develop our methodology. These figures are de minimis.

Scope 1 covers direct emissions from owned or controlled sources. In 2025, Scope 1 emissions represented less than 1% of total emissions reported. Overall, Scope 1 emissions increased by 24% between 2024 and 2025, largely driven by the acquisition of the ENWH Group. Scope 1 emissions in 2025 were 6% lower than in our combined baseline years.

Scope 2 covers indirect emissions from generation of purchased electricity. In 2025, Scope 2 emissions represented 8% of total emissions reported. Scope 2 emissions have increased by 19% between 2024 and 2025, primarily driven by an increase in energy distributed due to the acquisition of the ENWH Group and therefore emissions from network losses. However, since 2019, Scope 2 emissions have reduced by 31%, meaning that we are currently on track to achieve our combined Scope 1 and 2 science-based targets.

Scope 3 represents all other indirect emissions that occur in our supply chain. In 2025, Scope 3 emissions represented 92% of total emissions reported. Scope 3 emissions have reduced by 9% between 2024 and 2025, primarily driven by reduced volumes of electricity and gas sold. Scope 3 emissions have reduced by 23% overall since our combined baseline years.

The following factors provide carbon intensity metrics for both the electricity that we generate and the energy that we supply. These are both calculated using the guidance in the mandatory Streamlined Energy and Carbon Reporting (“SECR”) emissions as required by entities in scope, as well as by using the full value chain emissions figures to provide a more comprehensive view.

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ENVIRONMENT *continued*

		2025	2024
	Notes	tCO ₂ e/kWh	tCO ₂ e/kWh
Carbon intensity of electricity generated (based on SECR-only data)*	(a), (b)	0.000005	0.000004
Carbon intensity of energy supplied (based on total Scopes 1 to 3: location-based)	(a)	0.00037	0.00035

* Mandatory disclosures required by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

(a) Presented in tonnes in line with SECR guidance.

(b) Carbon intensity of electricity generated has been calculated based on net production figures.

Streamlined Energy and Carbon Reporting

We are committed to producing meaningful climate disclosures in line with those required by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations"). The tables above relating to the Scottish Power Limited Group, include the mandatory disclosures required by SECR, in addition to value chain GHG emissions which are disclosed on a voluntary basis. The information required by the 2018 Regulations has been independently verified by Arthian on a limited-level assurance basis.

Throughout 2025, we have carried out a range of energy efficiency measures, including:

- preparing an Energy Savings Opportunity Scheme update to report on progress against current action plan;
- continuing to progress our transmission substation building refurbishment programme across 48 of our sites, with an estimated saving in 2025 of almost 350 MWh;
- continuing to progress a refurbishment programme at 520 of our primary substations, with an estimated saving in 2025 of around 78 MWh;
- continuing to see an estimated annual saving of around 97 MWh following the installation of LED lighting at six sites;
- installing air source heat pumps at two depots, replacing oil-filled electric radiators, with an estimated saving in energy consumption of around 28 MWh; and
- continuing to deliver a programme to install 150 EV chargers by 2027 across the Group's offices and sites, with 14 chargers having been installed during 2025.

In addition, we have worked to reduce our customers' energy use in a variety of ways including:

- promoting our PowerSaver option to encourage domestic customers to move some of their electricity use to different times to help balance demand on the grid, make the most of renewable energy and reducing the need for energy from fossil fuel sources;
- offering options such as SMART thermostats, which enable customers to easily control heating zones within their homes and adjust the temperature according to the weather;
- providing energy audits to customers, resulting in close to 30,000 measures (such as wall and loft insulation) being installed, with expected annual bill savings of c£7 million;
- offering energy saving advice and tips via our website, and continuing to enhance the energy efficiency information that we provide to SME customers; and
- sending out over 18.1 million communications to domestic customers promoting home energy efficiency and encouraging customers to shift their energy consumption to times when there is less demand on the grid.

Nature

In 2025, ScottishPower launched its Nature Action Plan, supporting the delivery of the 2030 vision laid out in Action 2030: 'ScottishPower has delivered a net positive impact on biodiversity and ecosystems'. The Action Plan covers the actions we are delivering to conserve, restore and enhance nature and understand and manage the related risks, impacts, dependencies and opportunities.

The cornerstone target set to drive the delivery of this vision is: 'Deliver a net positive impact on biodiversity by 2030 across all large developments'. The scope of this target covered Renewable production onshore in 2025 and will extend to Energy Networks and Renewable production offshore in future years as metrics and methodologies mature. In its first year, 100% of eligible projects achieved net positivity.

During 2025, 90 programmes to monitor, protect and enhance biodiversity were started or ongoing and six were completed spanning the following categories:

- monitoring of birdlife and chiroptera;
- monitoring of terrestrial and aquatic flora;
- research and ecological studies;
- protection of flora and vegetation management; and
- partnerships, collaborative projects and awareness initiatives.

As of 2025, we had conserved, restored and planted over 1.4 million trees since our 2020 baseline.

The Group held a month-long Sustainability Festival which provided the opportunity to improve awareness of issues surrounding the nature crisis and delivering biodiversity enhancement alongside infrastructure through a variety of events. These included presentations from RSPB, WWF, and the Tree Council, and 'Biodiversity Walks' to showcase and discuss examples of nature in urban spaces.

As part of Energy Network's Action for Nature strategy, SPT is leading the charge to achieve 10% net gain in biodiversity across all consented infrastructure projects, with an ambitious goal to become Nature Positive by 2030.

In early 2025, SPT joined forces with The Langholm Initiative to support the Middlemoss Head Peatland Restoration Project: a flagship example of community-led environmental regeneration. Following a successful land buyout, the people of Langholm now steward 10,500 acres of the Tarras Valley Nature Reserve.

SPT's support enabled restoration across nearly 194 hectares ("ha"), generating an estimated 183 biodiversity units to offset impacts from projects like the Chirmorie wind farm overhead line. Restoration works included blocking over 56 km of artificial drains and reshaping eroded peatland, helping

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ENVIRONMENT *continued*

return the landscape to its natural bog-like state. This mosaic of habitats now supports wading birds, rare plants, and insects, while improving carbon sequestration and climate resilience.

Renewable production offshore continued its partnerships in strategic projects to develop solutions and impact identification to support offshore wind development in harmony with nature. This includes supporting the ECOWind lead project Physics-to-Ecosystem Level Assessment of Impacts of Offshore Windfarms. The project explores the impacts of offshore wind development with an aim to deliver a number of outputs to support the development of evidence-based policy, inform marine management and the delivery of net gain. Support is also provided to the Offshore Wind Evidence and Change Strategic Compensation Project to progress strategic compensation studies to inform evidence-based strategies for managing impacts on habitats and species. In addition, Renewable Production Offshore contributes to the Offshore Wind Strategic Monitoring Research Forum, an industry-led collaborative forum that aims to identify and develop research to fill critical knowledge gaps in our understanding of the impact of offshore wind development on the marine environment.

Renewable production offshore carried out a number of site visits and survey work of the EA1N and EA2 compensation measures. Installation of an additional artificial nest structure for Kittiwake was undertaken in winter of 2025 in alignment with the Kittiwake Implementation and Monitoring Plan. Ongoing adaptive management measures for both Kittiwake and Lesser Black-backed Gull include gull decoys and call playback to encourage nesting, and vegetation suppression and provision of perching structures in a predator free nesting area created for the Lesser Black-backed Gull. Renewable production offshore also commenced the By-catch Reduction Programme in 2025. This initiative leads research and monitoring efforts to address seabird by-catch in local fisheries, working closely with external stakeholders to undertake the monitoring and support the adoption of mitigation technologies.

Renewable production onshore completed a programme of 164 ha of peatland restoration in 2025. This included the continuation of a large-scale peatland restoration project at the Halsary wind farm in Caithness, where 700 ha will be restored in total, and the completion of peatland restoration programmes at Mark Hill and Beinn an Tuirc 3 wind farms. Renewable production onshore continued to participate in the Sanger Institute's cutting-edge, multi-year BIOSCAN project which involves the monthly capture of insects for DNA analysis with the aim of identifying the species present, and over time monitoring how species diversity and abundance is changing at Whitelee Windfarm. In 2025, Renewable production onshore commenced a trial of the use of biodegradable tree guards in place of traditional tree guards at Laigh Overmuir and High Alderstocks. Tree guards are used to protect young trees against browsing damage from mammals. Traditional guards are made from polypropylene plastic. These must be removed from site upon crop maturity and disposed of as waste as they have the potential to cause pollution to the environment. The biodegradable tree guards trialled are microplastic and PFA free, reducing the risk of pollution to the environment and of harm to wildlife. As the guards biodegrade, collection upon crop maturity is not required reducing resource costs, waste disposal costs and associated transport emissions. The trial will continue further into 2026, and if proven effective, this approach will be adopted across all future planting sites.

Circularity

In 2025, ScottishPower launched its Circular Economy Action Plan, supporting the delivery of the 2030 vision laid out in Action 2030: 'ScottishPower has minimised resource use and waste and established circular processes that keep materials in use at high value for the long term'. The Action Plan covers the actions we are taking to enhance the circularity of our business to help tackle the nature and climate crises in line with global best practice.

The cornerstone targets set to drive the delivery of this vision are:

- Zero waste to landfill by 2030.
- 100% wind turbine blade recycling and solar panel recycling by 2030, subject to the existence of a commercially feasible solution.

In 2025, the amount of waste generated increased by 7%, due to increased programmes of work, the inclusion of the ENWH Group and more complete reporting after the implementation of a new reporting system. We achieved 90% diversion from landfill, narrowly missing our annual target of 93%, but we expect this figure to rise in 2026 as the new system matures, enabling more granular tracking of waste fates.

In 2025, Energy Networks embedded a new AI-powered waste and resource tracking tool called Qflow. This innovative system enables the real-time capture of supply chain waste data through photographic evidence and has been well received by Energy Networks' contractor community. Qflow performs multiple data validation checks, flagging any unclear Waste Transfer Notes to improve compliance. This ensures a transparent and reliable record of waste movements and custody. The enhanced data provided by Qflow enables much clearer understanding of waste generation, treatment and final destination. The system is also helping to improve data on materials inflows, particularly regarding the percentage of recycled content in materials used during project delivery. This opens up new opportunities to manage and reduce the environmental impact of materials by using less and increasing the proportion of secondary materials used.

Renewable production offshore continued to build on the findings of its 2024 study into the potential for greater re-use of batteries used to provide uninterrupted power supply to wind turbines. The study identified that these batteries are replaced approximately every three years, resulting in around 26 tonnes of batteries being disposed of in each replacement cycle, and proposed the development of a testing process to assess and verify the functionality of retired batteries. This would enable batteries that meet performance requirements to be redirected for re-use rather than disposal.

Building on this foundation, activity during 2025 focused on further exploration of battery re-use opportunities through a research project with the University of Strathclyde. The collaboration aims to explore alternative applications that could maximise battery value and further reduce waste, with a report expected to summarise potential re-use applications, develop testing protocols, establish performance thresholds for secondary use, and define certification and compliance requirements.

Renewable production's onshore Hagshaw Hill Windfarm turbines started turning in 1995. Thirty years on, it has undergone an upgrade that enables it to generate five times more clean power from fewer turbines. The original 26 turbines have been replaced by 14 more powerful models, generating over 79 MW of clean electricity (five times the output from just over half the number of turbines) enough to power the equivalent of 57,000 homes. Renewable production onshore worked to find a solution to an industry-wide challenge. Every blade from the original turbines is being recycled by a processing supplier into new materials for construction, replacing concrete, timber and plastics. Renewable production onshore also undertook research into the decommissioning management route for all materials from the original wind turbines, including the blades. The results are being reviewed, and a decision will be made in 2026 on details to communicate to internal and external stakeholders, however, they indicate a high level of recycling and re-use. These outcomes will reduce GHG emissions and replace higher carbon construction products in the downstream supply chain.

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SOCIAL IMPACT

Communicating and connecting with local communities is a fundamental part of our values, and essential to the success of our operations. As key stakeholders, engaging with communities is a priority, and core to our commitment to collaborate and develop productive relationships.

Our goal is to be a trusted, respected, and a fully integrated member of these communities. We strive to achieve this by operating with the highest integrity and transparency, actively participating in community activities, to build strong relationships. We have always been committed to ensuring we maximise our social dividend and create a positive impact.

Our Social Impact Report provides a summary of ScottishPower's social impact action from 2024, highlighting our key focus areas, and outlining with examples, how we strive to be an active partner to build resilient, self-sufficient communities, whilst developing a representative and high performing workforce that meets the current and future needs of the industry.

Investing in the community

As part of the Iberdrola Group, ScottishPower utilises the Business for Societal Impact framework, (formerly known as the London Benchmarking Group), the global standard for measuring and managing social impact, to assess our community investment initiatives. This framework, adopted by leading businesses worldwide, provides a comprehensive and consistent approach to evaluating the true value and impact of corporate community investment on both business and society.

Through this framework, we voluntarily contributed £16 million in 2025 (2024 £13 million) to support community activities. This contribution encompasses cash, time, in-kind support, and the management costs associated with running community programmes.

Additionally, we provided over £13 million sponsorships and initiatives aimed at supporting our most vulnerable customers.

As part of our onshore wind farm operations, we actively support 35 community benefit funds, empowering communities across the UK to decide how best to use these funds to meet their local needs. In 2025, Renewable production's onshore business' production contributed £8 million (2024 £8 million) to communities neighbouring our wind farms, bringing the total provided to date to almost £76 million.

Community engagement and consultation

Supporting the communities we serve by providing our resources and the expertise of our people has been a longstanding commitment over the years and is integral to our culture at ScottishPower.

We actively encourage volunteering, offering everyone the opportunity to take one day's paid leave each year to volunteer. In 2025, over 1,100 of our people participated in volunteering activities organised by ScottishPower.

ScottishPower maintains a significant presence in communities across the UK and consults with these communities on appropriate topics. These consultations occur when we plan developments, decommission assets, or conduct routine maintenance work. Key areas of community interaction include the siting of new facilities like wind farms, the presence of transmission and distribution lines, the decommissioning of older plants, and routine maintenance work. We proactively provide landowners, stakeholders and customers with accurate information from the pre-planning stage through to project completion.

We place great emphasis on ensuring that those affected by our work are well-informed in advance of our activities. We have developed enduring relationships with community groups, elected representatives, interest groups, and individuals, creating various communication channels for community input. Our community consultation processes include representation at community meetings, in-person and virtual public information days, information published on our Corporate website, and engagement through social media. Our facilities also host visits from community groups, maintain visitor centres, and run local liaison committees that facilitate discussions between our organisation and community representatives.

Given that many of our assets are located on land we do not own, we have implemented policies to maintain the safety and integrity of our facilities while respecting the needs of landowners, the local community, and the public. For example, within Energy Networks, we and those acting on our behalf, adhere to a publicly available Land Code of Conduct. This code, developed in consultation with key stakeholders, outlines our commitment to grantors.

We work closely with the UK Government and devolved administrations to shape policy on community engagement and benefit, ensuring adherence to all voluntary codes of good practice.

ScottishPower Foundation

The ScottishPower Foundation ("the Foundation") was established in 2013 to reinforce our commitment to charitable work throughout the UK. It is a registered Scottish charity (SC043862) and a company limited by guarantee (SC445116). The Foundation provides funding to registered charities for the following purposes:

- the advancement of education;
- the advancement of environmental protection;
- the advancement of the arts, heritage, culture or science;
- the prevention or relief of poverty and the relief of those in need by reason of disability or other disadvantage; and
- the advancement of citizenship and community development.

Decisions to award funding are made by an experienced Board of Trustees who have a special interest in the above areas. The Foundation continued its support for the 'The Big Rock Pool Challenge' for a second year. The project, delivered in partnership by Marine Biological Association and The Rock Pool Project, is eligible to receive up to £600,000 over a three-year period. The initiative focuses on UK coastal wildlife conservation and the management of non-native species. Through community engagement and an innovative 'bioblitz battle activity' approach, the project will enhance marine species monitoring at locations across the country.

Group Strategic Report for the year ended 31 December 2025

SOCIAL IMPACT *continued*

In 2025, the Foundation awarded funding of over £1.2 million through its Annual Grants programme to 20 registered charities to support their work in the UK. In the northwest of Scotland, the Hebridean Whale & Dolphin Trust is bringing floating classrooms to schools in the Highlands and Outer Hebrides, inspiring young people to protect our seas. Across Scotland's coastline, the Marine Conservation Society is mobilising communities to tackle plastic pollution and safeguard marine wildlife. Streetwise Opera is using music to empower people affected by homelessness in London, Manchester and Nottingham – through creative workshops and performances that build confidence and skills, while challenging societal perceptions. The Oswin Project is helping ex-offenders rebuild their lives through its innovative bakery programme in Northumberland, while Moving Parts Arts in Newcastle is using puppetry to explore cultural identity and wellbeing.

The annual ScottishPower Foundation Awards ceremony was held on 3 November 2025. Fourteen shortlisted charities competed for a share of the £60,000 prize fund, with winners of each award receiving £10,000 for their charities to further their essential efforts, and runners-up awarded £5,000. There are four award categories including the Charity Champion Award, which gives special recognition to individuals supporting the charitable sector for their personal dedication.

Following a competitive application process for funding, 15 applicants to the Annual Grants programme were shortlisted by the Board of Trustees in November 2025 and are intended to be awarded funding for projects to be delivered in 2026 subject to budget and contract.

In addition, the Board of Trustees approved funding for two projects, to be delivered over a two-year period beginning in 2026 subject to contract, through a new Art for Climate Fund which aims to increase the capacity of arts charities to design, develop and implement innovative solutions that respond to the climate crisis.

Energy Networks

Energy Networks has shaped its business around geographical districts, enabling them to be closer to the communities they serve and allowing communities to have influence upon the delivery of projects in their area.

As a DNO and Transmission Network Operator ("TNO") our priority is to always keep electricity flowing to our customers across our network, whilst supporting regional and national decarbonisation ambitions. This is becoming increasingly important as the world moves away from fossil fuels and adopts electric-powered alternatives. To ensure our network can facilitate the growing number of low-carbon technologies, like EVs and heat pumps which connect to the grid, we have taken significant steps to support this in RIIO-ED2. At the local level, we have prioritised the proactive and reactive upgrading of looped properties (being where two or more houses share a single service cable from the main network). This allows these customers to quickly, safely and reliably connect low-carbon technologies when they are ready to do so.

At a broader level, our Strategic Optimisation team has supported local, regional and national government bodies to develop energy plans and sought out new strategic relationships to achieve net zero. They have worked with local authorities to develop their Local Area Energy Plans and have supported them in identifying the best options for EV public charging and heat electrification sites. We are also involved in the Powering Wales Renewably innovation project, working on the creation of a digital twin of Wales' energy network. The project will identify priorities and address obstacles in the delivery of decarbonisation plans, using new digital technology. This will prepare the system for net zero while delivering benefits to Wales' citizens and communities.

Delivering and being a trusted partner for customers, communities and stakeholders is a central pillar of our RIIO-ED2 business plan and we continue to provide a strong service to our customers. Whilst not being a standalone customer service company, we externally benchmark against the Top 50 customer service companies in the UK and in regulatory year 2024/25 we achieved a score of 88, higher than the No.1 ranked company. A key element of our service is supporting vulnerable customers and communities. We have successfully completed an initial trial of our partnership model with organisations in the Glasgow area, with the ambition of providing holistic support for all customers who need extra help.

We have also made good progress in achieving our own decarbonisation targets. Alongside our work supporting other bodies in achieving their targets, it is important that we strive to meet our own commitment to become a fully sustainable networks business. We have delivered a strong second year of the RIIO-ED2 price control and will continue to build on this during 2026, and the remainder of the price control period, all while delivering exceptional value for money with 99.99% reliability and excellent customer service for an average of 43p per day.

Energy Networks also administers the £5 million Transmission Net Zero Fund to support community projects that are contributing to decarbonisation efforts within the Energy Networks' transmission area, across Central and Southern Scotland.

Renewable production

Renewable production continues to focus on community engagement from the outset of new projects in development right through to the construction and operational phases, ensuring benefits of our projects are shared at a local, regional and national level.

Engagement

Throughout 2025, we have delivered a variety of activities across the business to engage with communities local to both our offshore and onshore developments.

Our MarramWind Team, actively engaged with the Peterhead community through a variety of educational and outreach initiatives. The project also sponsored SeaFest, a local seafood festival, where it highlighted the benefits of offshore wind energy and offered interactive STEM activities for children. Additionally, MarramWind carried out two further rounds of statutory consultation in Peterhead and Longside, with almost 300 people attending and providing feedback into the proposed offshore and onshore infrastructure.

Similarly, our MachairWind team conducted two rounds of statutory consultation, which included 12 in-person events across five host communities and four online webinars. The project continued its focus on STEM education by delivering an interactive session at Iona Primary School, where children were encouraged to build their own wind turbines. MachairWind also launched the Small Donations Fund, a £10,000 initiative offering grants of up to £500 to support local community projects.

In autumn 2025, Renewable production's EA3 wind farm became the first-ever headline sponsor of the East Anglian Air Ambulance's flagship fundraising event, Only The Brave, a 3 mile, 6 mile and 10 mile mud run. The annual event raised much-needed funds for the charity, which provides advanced critical care (by air and road) 24-hours a day, 365 days a year, across Bedfordshire, Cambridgeshire, Norfolk and Suffolk.

Group Strategic Report for the year ended 31 December 2025

SOCIAL IMPACT *continued*

We continue to sponsor and attend the annual Suffolk Show, an agricultural show that attracts around 100,000 visitors from across the county over two days, and one which enables us to support this important part of Suffolk's economy and culture whilst meeting with a broader audience to talk about our projects and discuss renewables more generally.

We have also delivered community engagement events for EA1N and EA2, including meeting with community members and updates to all the parish councils in the development area and beyond.

Renewable production continues to provide community benefit funds to those living near to our operational onshore wind farms and to date, we have shared over £75 million of funding within those communities. We believe local people are best placed to make decisions about the initiatives that will be of greatest value to them and therefore continue to empower them to make decisions on how to allocate their funds. These can be used for the purposes of community facilities, skills and employment, community or local events, sports and recreation, environmental improvements, youth and education and heritage, as well as on initiatives that will help them reduce their overall carbon footprint and become net zero as a community.

Renewable production onshore also continues to invest over £1 million a year to adaptively manage and monitor around 10,000 ha of land for nature conservation. In 2025, we completed 164 ha of peatland restoration, reaching a total of 2,433 ha restored to date. This work provides a critical nature-based solution delivering benefits for both carbon storage and biodiversity. We continue to maintain a robust Environmental Management System (ISO 14001 accredited) to support the business in managing environmental risks throughout the project lifecycle.

Whitelee Visitor Centre

Whitelee Windfarm is the UK's largest onshore wind farm, featuring 215 turbines with a total generating capacity of 539 MW, enough to power the equivalent of 350,000 homes. The site's visitor centre, operated by Glasgow Science Centre on behalf of ScottishPower, has welcomed over one million visitors to date. The visitor centre offers a free interactive exhibition, café, cycling facilities, car parking, and EV charging points. It also delivers a comprehensive education programme and provides a unique opportunity for visitors to explore how renewable energy, local communities, and the natural environment can successfully co-exist.

In 2025, Whitelee Windfarm was awarded the Green Flag Award for the fifth consecutive year, making it the only wind farm to receive this recognition. The award celebrates the work of the onshore renewable ecology team and the Whitelee Countryside Rangers (employed by East Renfrewshire Council and funded through the wind farm's community benefit fund), who are dedicated to enhancing habitats for native bird species and restoring peatland to leave a lasting environmental legacy.

Renewable production continues to host a wide range of community events at Whitelee, while also welcoming UK and international delegates, including representatives from the UK and Scottish Governments and other key stakeholders.

Customer business

Customer business continues its commitment to supporting those most in need within our communities through a number of government schemes and additional ScottishPower initiatives.

Our Smart Cities team is focused on helping decarbonise at a community level working mainly with local authorities but also with other community groups, such as housing associations. Smart Cities can reach consumers where a private financial investment may be unachievable as they can access low-carbon technologies through local authorities and community groups. In addition, by deploying at scale, we can reduce the price per solution.

ScottishPower has proudly partnered with CRUK since 2012, making a significant impact in the fight against cancer. Since then, our employees, customers, and suppliers have helped raise vital funds for the world's leading cancer charity. To date we have raised well over £40 million and are aiming to raise at least an additional £10 million by 2029. These funds have been raised through a variety of initiatives including our Help Beat Cancer energy tariff, sponsoring the Race for Life and Stand Up To Cancer events, and employee fundraising.

Group Strategic Report for the year ended 31 December 2025

SECTION 172 STATEMENT

Statement by the directors in performance of their statutory duties in accordance with Section 172 of the Companies Act 2006

The Companies (Miscellaneous Reporting) Regulations 2018 requires the directors of Scottish Power Limited to give a statement which describes how the directors have had regard to the matters set out in Section 172(1) of the Companies Act 2006 when discharging their duty under that section.

The SPL Board acknowledge and understand their duties and responsibilities, including that, under Section 172 of the Companies Act 2006, a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long-term;
- (b) the interests of the company's employees;
- (c) the need to foster the company's business relationships with suppliers, customers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the company.

The delivery of the strategy of the Group, of which the Company acts as the holding company, requires the Group to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting the Group's performance and reputation by prudently managing risks inherent in the business. In carrying out this strategy, the directors' duties under Section 172 of the Companies Act 2006 have been considered.

The directors strongly believe that effective and meaningful engagement with stakeholders is key to promoting the success of the Company. The SPL Board regularly reviews the operational performance and risk issues for the Group and its approval is required for certain reserved matters as defined under the terms of reference of the SPL Board.

The Company identifies and interacts with its stakeholders directly, and indirectly via its principal subsidiaries of the three divisions operated by the Group during the year, being Energy Networks, Renewable production and Customer business, as summarised in the 'Who we are' section of the Strategic Report, on page 1. In addition, please refer to the 'Engaging with stakeholders' section of the Strategic Report which sets out the SPL Board's oversight of the consideration given to the Company's, and its divisional businesses', engagement with key stakeholders.

Details and examples of engagement with the Company's key stakeholders (both direct and indirect) who are considered by the SPL Board in its decision-making with respect to matters reserved to it are as follows:

- **Customers:** details of how the Group engages with its customers are explained in the 'Energy customers' section of the Strategic Report, on pages 9 to 13. Whilst the Company does not have direct customers of its own, during 2025, the SPL Board received and considered the service KPIs reported in the 'Energy customers' section of the prior year's Strategic Report approved and delivered by the SPL Board.
- **People:** details of how the Group engages with its people are set out in the 'People' section of the Strategic Report, on pages 5 to 9. During 2025, the SPL Board considered and approved the 2024 ScottishPower Modern Slavery Statement.
- **Communities and the environment:** details of how the Group engages with communities and considers the environment are set out in the 'Environment' and 'Social Impact' sections of the Strategic Report, on pages 35 to 52 respectively. During 2025, the SPL Board approved the ScottishPower Policy on Management and Protection of Environment and Nature, the ScottishPower Climate Action Policy and the ScottishPower Biodiversity Policy.
- **Suppliers and contractors:** details of how the Group engages with its suppliers are set out in the 'Suppliers and contractors' section of the Strategic Report, on page 14. During 2025, the SPL Board approved the ScottishPower Code of Conduct for Suppliers.
- **Government and regulators:** details of how the Group engages with governments and regulators are set out in the 'Government and regulators' section of the Strategic Report, on pages 13 and 14. During 2025, the SPL Board noted that it would continue to engage with the UK Government on the need to ensure deployment of offshore wind at scale and in a timely way to progress towards meeting the ambition for clean power by 2030, as reported in the 'Government and regulators' section of the prior year's Strategic Report.

In addition, details of how the Company interacts with its shareholders is described in the introduction to the 'Engaging with stakeholders' section of the Strategic Report on page 5.

The directors, both individually and together as a board, consider that the decisions taken during the year ended 31 December 2025 in discharging the function of the SPL Board were in conformance with their duty under Section 172 of the Companies Act 2006.

The SPL Board is assisted in considering key stakeholders as part of the decision-making process by including stakeholder considerations in board papers as appropriate, and board papers are carefully reviewed and considered by all directors.

BY ORDER OF THE SPL BOARD



Marion S Venman
Secretary
2 June 2026

Directors' Report

INTRODUCTION

The directors present their report and audited Accounts for the year ended 31 December 2025.

Information contained within the Strategic Report

The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 1 to 53:

- information on financial risk management and policies;
- information regarding future developments of the Group;
- information in relation to innovation activities; and
- information on employee regulations and policies.

In addition, energy and carbon reporting disclosures, as required by entities in scope of the 2018 Regulations are included in within the Strategic Report on pages 46 to 48.

Results and dividend

The net profit for the year attributable to the equity holders of the parent amounted to £1,514 million (2024 £1,109 million). A dividend of £450 million was paid during the year (2024 £350 million). Refer to Note 28 for further details.

Taxation

The Iberdrola Board has explicitly acknowledged its responsibility for formulating the tax strategy of the wider group of which Iberdrola is the controlling entity. The Iberdrola Board has approved a Corporate Tax Policy which forms part of the Governance and Sustainability System adopted by the Company and sets out the SPL Board's commitment to responsible tax practices throughout the Iberdrola Group. The Corporate Tax Policy was first approved by the Iberdrola Board in 2010 and is regularly updated.

The ScottishPower Corporate Tax Policy, which respects, further develops and adapts the Ethical and Basic Principles of Governance and Sustainability of the Iberdrola Group with respect to the ScottishPower Group, of which the Company is part, was approved by SPL Board in May 2025. The ScottishPower Corporate Tax Strategy as approved by the SPL Board, following review by its SP ACC, which accords with the ScottishPower Corporate Tax Policy and, as required by UK law, is published on the Corporate website under 'About Us'/'Company Reporting'.

We are a responsible taxpayer and seek to be open, honest and transparent in dealings with the tax authorities and to comply with both the letter and the spirit of tax laws set by the UK Government and devolved administrations in Scotland and Wales. We remit taxes due on a timely basis and have a relationship with HMRC based on mutual trust and cooperation. Payment of taxes is our principal contribution to sustaining public expenditure and one of our contributions to society.

Further details on taxes and other government obligations can be found in the Strategic Report on page 21.

CORPORATE GOVERNANCE

Statement regarding the corporate governance arrangements of the Group

As required by the Companies (Miscellaneous) Reporting Regulations 2018, the directors of the Company have set out a statement of the corporate governance arrangements of the Company.

The ultimate parent of the Company is Iberdrola, S.A., whose shares are listed on all four stock markets in Spain and traded through the electronic continuous market of the Spanish Stock Exchange. The Company, which is ultimately wholly-owned by Iberdrola, does not apply a corporate governance code on the basis that the SPL Board, in accordance with its terms of reference, applies its own corporate governance system, which amongst other things, contains rules and principles based on widely recognised good governance recommendations, which is known as the ScottishPower Governance and Sustainability System ("SP GSS"), and which is adopted by the Company. Key rules and principles of the SP GSS that applied to the Company and its group during 2025 are set out in this statement.

The SP GSS is published on the corporate website under 'Corporate Governance'/'Governance and Sustainability System'.

Corporate governance system

The Company is governed by the SPL Board, which consists of directors who bring a broad range of skills and experience to the Company. The SPL Board is regulated in accordance with the Company's Articles of Association which are published on the Corporate website under 'Corporate Governance / Governance and Sustainability System / Book One – Articles of Association and Corporate Organisation'.

In discharging its responsibilities and in the exercise of its decision-making powers, and in accordance with the Group Governance Framework, the Company's Articles of Association and the SPL Board's terms of reference, the SPL Board has approved the Company's own corporate governance system, also known as the SP GSS, which is adopted and applied by members of its group.

The SP GSS includes those of Iberdrola Group's internal corporate rules, policies, and other internal codes and procedures that consistently apply throughout the Iberdrola Group, as well as specific rules and regulations approved by the SPL Board which apply to the members of its group.

In addition, the SPL Board routinely considers and takes into account those parts of the Iberdrola Governance and Sustainability System ("IBE GSS") which may have direct or indirect application to ScottishPower. Furthermore, the SPL Board actively considers and adopts specific policies and rules which apply to ScottishPower.

Directors' Report

CORPORATE GOVERNANCE *continued*

SPL Board composition

The SPL Board comprises the Chairman (internal, non-executive director), the Vice-chairman (external, non-executive director), the CEO, and six other non-executive directors (three internal directors and three external directors) at the date of the approval of these Accounts. The Company has a separate Chairman and CEO to ensure that the balance of responsibilities, accountabilities and decision making are effectively maintained. For further information on the membership and attendance of the SPL Board refer to page 56.

A biography for each director can be found on the Corporate website under 'Corporate Governance' / 'Board of Directors'.

There is no separate appointments committee within ScottishPower. Instead, appointment matters relevant to ScottishPower and the Company are dealt with in accordance with an internal group procedure for approving proposed appointments or removals of directors at companies in which the Iberdrola Group holds an interest.

Purpose and values

The structure of the Company, and the Group, is set out in the 'Who we are' section of the Strategic Report. During 2025, the SPL Board has taken into account the Purpose and Values of the Iberdrola Group which are published on the Corporate website under 'Corporate Governance' / 'Governance and Sustainability System' / 'Introductory Book' and which form part of the GSS. This document defines and promotes the purpose, values and culture of the Company and the Group.

Director responsibilities

The directors are fully aware of their duties under the Companies Act 2006, including those as set out in Section 172 of the same. One of the primary responsibilities of the SPL Board is to supervise the provision of common corporate services to the Head of Business companies of the Group, which the Company indirectly and wholly owns and controls through its direct subsidiary SPUK, in accordance at all times with the provisions of all applicable legislation and regulations.

The Head of Business companies have their own boards of directors which have the necessary autonomy to carry out the day-to-day management and effective administration of their respective divisions, as well as responsibility for their ordinary control.

Further information on the administrative, management and supervisory bodies of the boards of the Head of Business companies are described in the section below.

Opportunity and risk

The delivery of ScottishPower's strategy, as described in the 'Our purpose, values, strategy and role' section of the Strategic Report, requires the Group to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting our performance and reputation by prudently managing the risk inherent in the business.

ScottishPower operates systems of internal controls and a risk management framework, which is subject to continuous review and development. The SP ACC reviews the Company's internal control systems and risk management system. Further information regarding the SP ACC's role is detailed on the following page within the 'Administrative, management and supervisory bodies' section.

To maintain this strategic direction, ScottishPower develops and implements risk management policies and procedures and promotes a robust control environment at all levels of the organisation.

During 2025, the governance structure was supported by the internal control and risk management systems of ScottishPower. The risk management function, as part of the Internal Audit and Risk department reports to the SP ACC, and thus supports ScottishPower, including the Company, in the execution of due diligence and risk management across ScottishPower, as described in the 'Group principal risks and uncertainties' section of the Strategic Report. In pursuing these objectives, these systems only provide reasonable, and not absolute, assurance against material misstatement or loss.

Remuneration

The internal directors of the Company are subject to an annual evaluation of their performance in respect of their executive responsibilities as part of the performance management framework which is in place throughout ScottishPower and the Iberdrola Group.

There is no separate remuneration committee within ScottishPower. Instead, remuneration matters relevant to ScottishPower and the Company are dealt in accordance with the aforementioned performance management framework.

Stakeholders

The SPL Board fully recognises that effective and meaningful engagement with stakeholders is key to promoting the success of the Company. The details of our key stakeholders, why they are important to the Company, and how we engage with our stakeholders are an integral part of our strategic goals which are described in the 'Our strategy' section in the Strategic Report.

The Company identifies and interacts with its stakeholders directly, and indirectly via its business divisions, and SPUK. Please refer to the Energy Networks, Renewable production, and Customer business sections of the Strategic Report for further information on these business divisions' respective engagement with their specific stakeholders. In particular, refer to the 'Engaging with stakeholders' section of the Strategic Report which sets out the SPL Board's oversight of the consideration given to the Company's, and its group's, engagement with, key stakeholders.

Directors' Report

CORPORATE GOVERNANCE *continued*

Administrative, management and supervisory bodies

SPL Board

The SPL Board comprised the Chairman, José Ignacio Sánchez Galán, who is also the Executive Chairman of Iberdrola, and eight other directors as at 31 December 2025.

The SPL Board met five times during the year under review. The members of the SPL Board and their attendance record were as follows:

José Ignacio Sánchez Galán	Chairman, internal, non-executive director	Attended five meetings
Professor Sir James McDonald	Vice-chair, external, non-executive director	Attended four meetings
Keith Anderson	CEO	Attended five meetings
Wendy Barnes	External, non-executive director	Attended five meetings
Iñigo Fernández de Mesa Vargas	External, non-executive director	Attended five meetings
Professor Dame Anne Glover	External, non-executive director (resigned 26 March 2025)	Attended one meeting
Lord Hutton of Furness	External, non-executive director (appointed 6 May 2025)	Attended four meetings
Daniel Alcain López	Internal, non-executive director	Attended five meetings
Gerardo Codes Calatrava	Internal, non-executive director	Attended five meetings
José Sainz Armada	Internal, non-executive director	Attended five meetings

SP ACC

The SP ACC, a permanent internal body established by the SPL Board, has an informative and consultative role, without executive functions, with powers of information, assessment and presentation of proposals to the SPL Board within the SP ACC's own terms of reference.

The SP ACC's responsibilities include amongst other things:

- monitoring the financial and non-financial information preparation processes for ScottishPower;
- overseeing the independence, activities, and efficiency of the Internal Audit and Risk department;
- overseeing and reviewing the activities of the SPL Compliance Unit;
- monitoring the statutory audit of the Annual Report and Accounts of the Company; and
- monitoring the independence of the Group's external auditor and recommending to the SPL Board the (re-)appointment and the associated terms of engagement of the same.

The SP ACC's terms of reference are published on the Corporate website under 'Corporate Governance' / 'Governance and Sustainability System / Book One – Articles of Association and Corporate Organisation' and further define the responsibilities of the SP ACC.

Membership and attendance

The SP ACC met five times during the year under review. The members of the SP ACC and their attendance record are shown below:

Iñigo Fernández de Mesa Vargas	Chair, external, non-executive director	Attended five meetings
Wendy Barnes	External, non-executive director	Attended five meetings
Lord Hutton of Furness	External, non-executive director (appointed 6 May 2025)	Attended three meetings
Daniel Alcain López	Internal, non-executive director	Attended five meetings

In addition to the attendance set out above, the ScottishPower Chief Financial Officer ("CFO"), the Director of Internal Audit and Risk, together with the Risk Director, and the Chief Compliance Officer normally attend (wholly or in part), by invitation, all meetings of the SP ACC. Other members of senior management are also invited to attend as appropriate. During the year under review, the external auditor attended (in part) four meetings of the SP ACC.

Matters considered by the SP ACC during 2025

The issues that the SP ACC specifically addressed are detailed in its report which is published on the Corporate website under 'Corporate Governance' / 'Board of Directors'.

Directors' Report

CORPORATE GOVERNANCE *continued*

ScottishPower Management Committee ("SPMC")

The SPMC is a permanent internal body, which was established by the SPL Board to provide an informative and coordinating role regarding the activities of ScottishPower to which the Company belongs. In accordance with the corporate governance arrangements of the Group and the separation of regulated activities, the SPMC does not exercise any executive function as a decision-making body. The SPMC normally meets weekly and receives regular information on the activities of the Group, including those of the Company, in order to support the corporate functions and lines of business in understanding the local, legal, regulatory and market specifics in the UK and in order to assist the ScottishPower CEO in the performance of his duties. The CEO defines the composition of the SPMC, having regard to the role assigned thereto, and other members of management are invited to attend as appropriate.

ScottishPower Executive Committee ("SP ExCom")

The SP ExCom is a permanent internal body which was established in 2025 by the SPL Board with all executive powers of the SPL Board (save for those that cannot be delegated pursuant to legal or constitutional restrictions) as detailed in its own terms of reference (published on the Corporate website under 'Corporate Governance' / 'Governance and Sustainability System / Book One – Articles of Association and Corporate Organisation').

The terms of reference of the SP ExCom provide that it is comprised of the Chairman and the CEO of the SPL Board, together with two non-executive directors of the same (of which one is an external director). The SP ExCom met four times during the year under review. The members of the SP ExCom and their attendance record were as follows:

José Ignacio Sánchez Galán	Chair, internal, non-executive director	Attended four meetings
Professor Sir James McDonald	Vice-chair, external, non-executive director	Attended four meetings
Keith Anderson	CEO	Attended four meetings
José Sainz Armada	Internal, non-executive director	Attended four meetings

Boards of the Head of Business companies

The boards of directors of SPENH ("the SPENH Board"), SPREL ("the SPREL Board") and SPRH ("the SPRH Board") are responsible for the effective management of Energy Networks (excluding the ENWH Group), Renewable production and Customer business respectively, in accordance with the strategy of ScottishPower, and as defined in their respective terms of reference. Following the CMA clearance of the acquisition of ENWH, NWEN UK was designated the Head of Business company in respect of the group of companies headed by it ("the NWEN Group") and the board of directors of NWEN UK ("the NWEN UK Board") is accordingly responsible for the effective management of the business of the NWEN Group.

These boards meet regularly and review strategy, operational performance and risk issues on behalf of their respective businesses.

SPENH Board

The SPENH Board comprised the Chair, Keith Anderson, and six other directors as at 31 December 2025. The directors, and their attendance at SPENH Board meetings held during the period under review (five meetings), were as follows:

Keith Anderson	Chair, internal, non-executive director (appointed as a director and chair on 26 March 2025)	Attended three meetings
Ana T. Lafuente González	Chair internal, non-executive director (resigned as Chair 26 March 2025)	Attended five meetings
Nicola Connelly	CEO	Attended five meetings
Rt Hon. Charles Hendry	External, non-executive director	Attended five meetings
Lord Hutton of Furness	External, non-executive director (resigned 5 May 2025)	Attended two meetings
Gillian King	External, non-executive director	Attended five meetings
Mónica Grau Domene	Internal, non-executive director (resigned 21 March 2025)	Attended one meeting
José Ignacio Sánchez-Galán García-Tabernero	Internal, non-executive director	Attended five meetings
Douglas Ness	Internal, executive director (appointed 20 March 2025)	Attended four meetings

Beatrice Helene Baker Pessôa de Araújo was appointed as an external, non-executive director on 1 January 2026.

The terms of reference of the SPENH Board together with the rest of the Scottish Power Energy Networks Governance and Sustainability System approved by the SPENH Board, are published at www.spenergynetworks.co.uk under 'Corporate Governance' and further define the responsibilities and powers of the SPENH Board as regards Energy Networks and its stakeholders.

SPENH Audit and Compliance Committee ("SPENH ACC")

The SPENH ACC undertakes the role and function of the SP ACC as they relate to Energy Networks (excluding the ENWH Group – see details of the ENW Audit and Compliance Committee ("ENW ACC") overleaf). The relationship between the SP ACC and the SPENH ACC is governed in accordance with their respective terms of reference. The SPENH ACC's terms of reference are published at www.spenergynetworks.co.uk under 'Corporate Governance' and further define the responsibilities of the SPENH ACC.

The SPENH ACC met five times during the year under review. The members of the SPENH ACC and their attendance record are shown below:

Gillian King	Chair, external, non-executive director	Attended five meetings
Rt Hon. Charles Hendry	External, non-executive director	Attended five meetings
Mónica Grau Domene	Internal, non-executive director (resigned on 21 March 2025)	Attended one meeting
Douglas Ness	Internal, executive director (appointed 20 March 2025)	Attended four meetings

Directors' Report

CORPORATE GOVERNANCE *continued*

NWEN UK Board

The NWEN UK Board comprised five directors as at 31 December 2025. The directors, and their attendance at NWEN UK Board meetings held during the period under review (five meetings from 20 March 2025 until the end of that year), were as follows:

Ian Smyth	CEO (resigned 2 July 2025)	Attended three meetings
Stephanie Trubshaw	Chief operating officer ("COO") (appointed 29 July 2025)	Attended two meetings
Christopher Johns	CFO	Attended five meetings
Harold Hutchinson	External, non-executive director (resigned 21 March 2025)	Attended one meeting
Tetsuo Onaru	External, non-executive director (appointed 2 July 2025)	Attended two meetings
Mitsuo Wada	External, non-executive director (resigned 21 March 2025)	Attended no meetings
Masahide Yamada	External, non-executive director (resigned 2 July 2025)	Attended three meetings
Keith Anderson	Internal, non-executive director (appointed 22 March 2025)	Attended five meetings
Charles Langan	Internal, non-executive director (appointed 22 March 2025)	Attended five meetings
David José Mesonero Molina	Internal, non-executive director (appointed 22 March 2025, resigned 31 December 2025)	Attended two meetings

Ana T. Lafuente González was appointed as an internal, non-executive director on 1 January 2026.

Michiko Hara was the appointed alternate director for Mitsuo Wada until his resignation on 21 March 2025. Makoto Murata was the appointed alternate director for Masahide Yamada until his resignation on 2 July 2025. Shinichiro Kitagawa is the appointed alternate director for Tetsuo Onaru.

Christopher Johns resigned as CFO and a director on 30 April 2026.

The terms of reference of the NWEN UK Board together with the rest of the SP ENW Group Governance and Sustainability System approved by the NWEN UK Board, are published at www.enwl.co.uk under 'About Us' / 'SP ENW Governance and Sustainability System' and further define the responsibilities and powers of the NWEN UK Board as regards the NWEN Group and its stakeholders.

ENW Audit and Compliance Committee ("ENW ACC")

The ENW ACC, constituted by NWEN UK's subsidiary ENWL on 23 March 2025, undertakes the role and function of the SP ACC as they relate to the NWEN Group. The relationship between the SP ACC and the ENW ACC is governed in accordance with their respective terms of reference. The ENW ACC's terms of reference are published at www.enwl.co.uk under 'About Us' / 'SP ENW Governance and Sustainability System' and further define the responsibilities of the ENW ACC.

The ENW ACC met six times since its constitution during the year under review. The members of the ENW ACC and their attendance record are shown below:

Harold Hutchinson	Chair, external, non-executive director	Attended six meetings
Alistair Buchanan	External, non-executive director	Attended six meetings
Charles Langan	Internal, non-executive director	Attended six meetings

Alistair Buchanan resigned as a member of the ENW ACC on 13 January 2026. Ellen Fraser was appointed as a member of the ENW ACC on 28 January 2026.

SPREL Board

The SPREL Board comprised the Chair, Professor Sir James McDonald, and four other directors as at 31 December 2025. The directors and their attendance at SPREL board meetings held during the period under review (six meetings) are shown below:

Xabier Viteri Solaun	Chair, external, non-executive director (resigned 28 May 2025)	Attended three meetings
Professor Sir James McDonald	Chair, external, non-executive director (appointed 7 October 2025)	Attended two meetings
Charles Jordan	CEO	Attended six meetings
Dr. Bridget McConnell	External, non-executive director	Attended six meetings
Caireen Devanney	Internal, non-executive director (appointed 7 October 2025)	Attended two meetings
Charles Langan	Internal, non-executive director (resigned 20 March 2025)	Attended two meetings
Álvaro Martínez Palacio	Internal, non-executive director (resigned 28 March 2025)	Attended two meetings
Jorge Pedrón Pardo	Internal, non-executive director (appointed 7 October 2025)	Attended two meetings
Andrew Philip	Internal, non-executive director (appointed 2 April 2025, resigned 25 November 2025)	Attended four meetings
Marion S Venman	Internal, non-executive director (resigned 28 March 2025)	Attended two meetings

Fiona Coyle was appointed as an internal non-executive director on 27 April 2026.

The terms of reference of the SPREL Board together with the rest of Renewable production's Governance and Sustainability System approved by the SPREL Board, are published at www.scottishpowerrenewables.com under 'Corporate Governance' and further define the responsibilities and powers of the SPREL Board as regards Renewable production and its stakeholders.

Directors' Report

CORPORATE GOVERNANCE *continued*

SPRH Board

The SPRH Board comprised the Chair, Professor Sir James McDonald, and six other directors as at 31 December 2025. The directors and their attendance at SPRH Board meetings held during the period under review (six meetings) are shown below:

Professor Sir James McDonald	Chair, external, non-executive director (appointed 2 October 2025)	Attended two meetings
Aitor Moso Raigoso	Chair (until 2 October 2025), internal, non-executive director	Attended six meetings
Andrew Ward	CEO	Attended six meetings
Iñigo Alonso Santiago	Internal, non-executive director (resigned 1 April 2025)	Attended one meeting
Caireen Devanney	Internal, non-executive director (appointed 2 October 2025)	Attended two meetings
David Gracia Fabre	Internal, non-executive director (appointed 1 April 2025)	Attended five meetings
Charles Langan	Internal, non-executive director (resigned 20 March 2025)	Attended one meeting
John Reid	Internal, non-executive director (appointed 1 April 2025)	Attended five meetings
Marion S Venman	Internal, non-executive director (resigned 1 April 2025)	Attended one meeting

The terms of reference of the SPRH Board together with the rest of Customer business' Governance and Sustainability System approved by the SPRH Board, are published at www.spretailholdings.com under 'Corporate Governance' and further define the responsibilities and powers of the SPRH Board as regards Customer business and its stakeholders.

DIRECTORS' INDEMNITY

In terms of the Company's Articles of Association, a qualifying indemnity provision is in force for the benefit of all the directors of the Company and of associated companies and has been in force during the financial year. In addition, the directors have been granted a qualifying third party indemnity provision, which continues in force.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with international accounting standards as adopted by the UK at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2025 ("UK-adopted international accounting standards") and applicable law, and have elected to prepare the parent company financial statements in accordance with UK generally accepted accounting practice, Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101") and applicable law.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- for both the Group and parent company financial statements make judgements and estimates that are reasonable and prudent, and in addition for the Group accounts, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards and applicable law;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that their financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the parent company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK governing the preparation and dissemination of the financial statements differs from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed (refer to page 56), confirms that to the best of their knowledge:

- The Group and parent company financial statements, which have been prepared in accordance with UK-adopted international accounting standards and FRS 101 respectively, give a true and fair view of the assets, liabilities, financial position and profit of the Group and parent company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group (including the parent company), together with a description of the principal risks and uncertainties that it faces.

Directors' Report

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors in office at the date of this Annual Report and Accounts confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

AUDITOR

KPMG LLP were re-appointed as the auditor of the Company for the year ending 31 December 2026.

BY ORDER OF THE SPL BOARD



Marion S Venman
Secretary
2 June 2026

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH POWER LIMITED

OPINION

We have audited the financial statements of Scottish Power Limited ("the Company") for the year ended 31 December 2025 which comprise the Group and Company Statements of Financial Position, the Group Income Statement, the Group and Company Statement of Comprehensive Income, the Group and Company Statements of Changes in Equity, the Group Cashflow statement and related notes, including the accounting policies in Note 4.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

GOING CONCERN

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

We consider whether the going concern disclosure in Note 2A2 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies. We assess the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit function, the legal function and the compliance function and the inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit and Compliance Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Consultation with our forensic professional regarding the identified potential fraud risks. This involved discussion between the forensic professional and the senior members of the engagement team.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group auditor to component auditors of relevant fraud risks identified at the Group level and requesting component auditors performing procedures at the component level to report to the Group auditor any identified fraud risk factors or identified or suspected instances of fraud.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the defined benefit pension assumptions and asset valuations and the valuation of the Customer Business accrued revenue and valuation of its billed debt. On this audit we do not believe there is a fraud risk related to revenue recognition because with the exception of the Customer Business accrued revenue, the Group's revenues consist of routine, non-complex transactions which are subject to systematic processing and do not require significant judgements.

We also identified a fraud risk related to Recoverability of Retail domestic & SME customer receivables in response to the manual overlay adjustments in respect of the bad debt provision, due to the subjectivity involved in determining this estimate providing opportunity for management to manipulate results.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH POWER LIMITED *continued*

We performed procedures including:

- Identifying journal entries and other adjustments to test for all in scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts including additional unexpected combinations associated with the energy retail discount accounts.
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias
- We engaged KPMG macroeconomic specialists to perform analysis and additional sensitivities.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation pensions legislation in respect of defined benefit pension schemes, tax legislation and regulatory requirements governing certain revenue streams and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety legislation, fraud corruption and bribery legislation, employment and social security legislation including minimum wage and pension autoenrollment, environment protection legislation, Ofgem regulations and distance selling regulations recognising the regulated nature of the Group's activities.

This includes the Ofgem related matters disclosed in Note 29 for which we assessed disclosures against our understanding from inspection of relevant correspondence between the Group, and Ofgem. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

STRATEGIC REPORT AND DIRECTORS' REPORT

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 59, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH POWER LIMITED *continued*

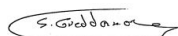
AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Slim Gueddana (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St. Vincent Street

Glasgow

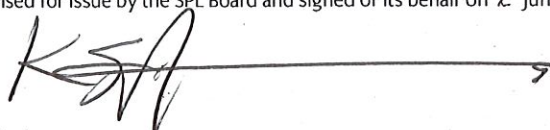
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3 June 2026

SCOTTISH POWER LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2025

	Notes	2025 £m	2024 £m
NON-CURRENT ASSETS			
Intangible assets	5	3,269	602
Property, plant and equipment	6	21,068	17,866
Right-of-use assets	7	551	551
Retirement benefits asset	8	213	204
Investments accounted for using the equity method	9	99	2,275
Other investments		5	5
Derivative financial instruments	10	301	265
Trade and other receivables	11	3	3
		25,509	21,771
CURRENT ASSETS			
Inventories	12	884	1,344
Trade and other receivables	11	2,013	1,389
Current tax asset		–	13
Derivative financial instruments	10	37	146
Cash and cash equivalents	10	350	207
		3,284	3,099
TOTAL ASSETS		28,793	24,870
EQUITY			
Share capital		2,955	2,955
Share premium		3,105	3,105
Hedge reserve	13	(92)	(4)
Other reserves		738	738
Retained earnings		2,011	974
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		8,717	7,768
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	9	926	626
TOTAL EQUITY		9,643	8,394
NON-CURRENT LIABILITIES			
Deferred income	14	1,690	1,581
Provisions for retirement benefit obligations	8	36	79
Other provisions	15	333	287
Loans and other borrowings	16	9,214	7,458
Derivative financial instruments	10	593	272
Other financial liabilities	17	14	18
Lease liabilities	7	580	577
Trade and other payables	18	21	8
Income tax liabilities		6	6
Deferred tax liabilities	19	2,755	1,925
		15,242	12,211
CURRENT LIABILITIES			
Deferred income	14	61	47
Other provisions	15	244	268
Loans and other borrowings	16	1,093	1,819
Derivative financial instruments	10	106	76
Other financial liabilities	17	148	84
Lease liabilities	7	47	44
Trade and other payables	18	2,197	1,927
Current tax liabilities		12	–
		3,908	4,265
TOTAL LIABILITIES		19,150	16,476
TOTAL EQUITY AND LIABILITIES		28,793	24,870

Authorised for issue by the SPL Board and signed of its behalf on 2 June 2026.



Keith Anderson
Director

The accompanying Notes 1 to 32 and Appendix 1 are an integral part of the Consolidated statement of financial position at 31 December 2025.

SCOTTISH POWER LIMITED
 COMPANY STATEMENT OF FINANCIAL POSITION
 at 31 December 2025

	Notes	2025 £m	2024 £m
NON-CURRENT ASSETS			
Investments in subsidiaries	9	8,775	8,775
Other investments		5	4
Derivative financial instruments	10	342	488
Trade and other receivables	11	6,602	7,351
		15,724	16,618
CURRENT ASSETS			
Trade and other receivables	11	986	470
Current tax asset		66	199
Derivative financial instruments	10	37	49
Cash and short-term deposits		67	115
		1,156	833
TOTAL ASSETS		16,880	17,451
EQUITY			
Share capital		2,955	2,955
Share premium		3,105	3,105
Hedge reserve		26	183
Other reserves		331	331
Retained earnings*		2,192	1,570
TOTAL EQUITY		8,609	8,144
NON-CURRENT LIABILITIES			
Provisions	15	2	8
Loans and other borrowings	16	6,615	6,015
Derivative financial instruments	10	193	245
Deferred tax liabilities	19	8	60
		6,818	6,328
CURRENT LIABILITIES			
Provisions	15	27	2
Loans and other borrowings	16	1,362	2,690
Derivative financial instruments	10	46	49
Trade and other payables	18	18	238
		1,453	2,979
TOTAL LIABILITIES		8,271	9,307
TOTAL EQUITY AND LIABILITIES		16,880	17,451

* Retained earnings includes a net profit after taxation of £1,072 million (2024 £776 million).

Authorised for issue by the SPL Board and signed of its behalf on 2 June 2026.



Keith Anderson
 Director

SCOTTISH POWER LIMITED
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2025

	Notes	2025 £m	2024 £m
Revenue	20	6,516	6,583
Procurements		(2,111)	(2,441)
GROSS MARGIN		4,405	4,142
Staff costs	21	(436)	(276)
External services		(864)	(663)
Other operating results*		211	96
Net operating costs		(1,089)	(843)
Taxes other than income tax	22	(403)	(500)
GROSS OPERATING PROFIT		2,913	2,799
Net expected credit losses on trade and other receivables	11	(128)	(109)
Depreciation and amortisation charge, allowances and provisions	23	(987)	(790)
OPERATING PROFIT		1,798	1,900
Result of investments accounted for using the equity method	9	23	41
Gains and losses on changes in consolidated interests	9	446	–
Dividends received		1	–
Finance income	24	343	51
Finance costs	25	(543)	(371)
PROFIT BEFORE TAX		2,068	1,621
Income tax	26	(442)	(451)
NET PROFIT FOR THE YEAR		1,626	1,170
Non-controlling interests	9	(112)	(61)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT		1,514	1,109

* Refer to Note 40 for further details of Other operating results.
All results relate to continuing operations.

The accompanying Notes 1 to 32 and Appendix 1 are an integral part of the Consolidated income statement for the year ended 31 December 2025.

SCOTTISH POWER LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2025

	Notes	2025 £m	2024 £m
NET PROFIT FOR THE YEAR		1,626	1,170
OTHER COMPREHENSIVE INCOME			
Items that have been or may be subsequently reclassified to the Income statement:			
Cash flow hedges:			
Changes in the value of cash flow hedges	13	(198)	167
Tax relating to cash flow hedges	13	54	(41)
Cash flow hedges recycled to the Income statement (net of tax)	13	40	–
		(104)	126
Items that will not be reclassified to the Income statement:			
Retirement benefits:			
Movements in retirement benefits		(34)	(114)
Tax relating to movements in retirement benefits		9	28
		(25)	(86)
SHARE OF OTHER COMPREHENSIVE INCOME OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	9	(3)	6
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(132)	46
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,494	1,216
Total comprehensive income for the year attributable to equity holder of the parent		1,384	1,155
Total comprehensive income for the year attributable to non-controlling interests		110	61
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,494	1,216

COMPANY STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2025

	2025 £m	2024 £m
NET PROFIT FOR THE YEAR	1,072	776
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the Income statement:		
Cash flow hedges:		
Changes in the value of cash flow hedges	(209)	105
Tax relating to cash flow hedges	52	(26)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	(157)	79
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	915	855

Total comprehensive income for both years is wholly attributable to the equity holder of Scottish Power Limited.

SCOTTISH POWER LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2025

	Attributable to equity holder of the parent					Total £m	Non- controlling interests £m	Total equity £m
	Share capital (Note (a)) £m	Share premium (Note (b)) £m	Hedge reserve (Note (c)) £m	Other reserves (Note (d)) £m	Retained earnings (Note (e)) £m			
At 1 January 2024	1,779	2,881	(130)	738	295	5,563	686	6,249
Share capital issued	1,176	224	–	–	–	1,400	–	1,400
Profit for the year attributable to the equity holder of the Company	–	–	–	–	1,109	1,109	61	1,170
Changes in the value of cash flow hedges	–	–	167	–	–	167	–	167
Movements in retirement benefits	–	–	–	–	(114)	(114)	–	(114)
Tax relating to cash flow hedges	–	–	(41)	–	–	(41)	–	(41)
Tax relating to movements in retirement benefits	–	–	–	–	28	28	–	28
Share of other comprehensive income of investments accounted for using equity method	–	–	–	–	6	6	–	6
Dividends	–	–	–	–	(350)	(350)	(121)	(471)
At 31 December 2024 and 1 January 2025	2,955	3,105	(4)	738	974	7,768	626	8,394
Profit for the year attributable to the equity holder of the Company	–	–	–	–	1,514	1,514	112	1,626
Changes in the value of cash flow hedges – recognised in other comprehensive income	–	–	(197)	–	–	(197)	(1)	(198)
Hedging gains and losses transferred to a non-financial asset – not recognised in other comprehensive income	–	–	20	–	–	20	–	20
Movements in retirement benefits	–	–	–	–	(33)	(33)	(1)	(34)
Tax relating to cash flow hedges – recognised in other comprehensive income	–	–	54	–	–	54	–	54
Tax relating to hedging gains and losses transferred to a non-financial asset – not recognised in other comprehensive income	–	–	(5)	–	–	(5)	–	(5)
Tax relating to movements in retirement benefits	–	–	–	–	9	9	–	9
Cash flow hedges recycled to the Income statement	–	–	40	–	–	40	–	40
Share of other comprehensive income of investments accounted for using equity method	–	–	–	–	(3)	(3)	–	(3)
Non-controlling interests on acquisition of a subsidiary	–	–	–	–	–	–	311	311
Dividends	–	–	–	–	(450)	(450)	(121)	(571)
At 31 December 2025	2,955	3,105	(92)	738	2,011	8,717	926	9,643

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2025

	Share capital (Note (a)) £m	Share premium (Note (b)) £m	Hedge reserve (Note (c)) £m	Other reserves (Note (d)) £m	Retained earnings (Note (e)) £m	Total £m
At 1 January 2024	1,779	2,881	104	331	1,144	6,239
Share capital issued	1,176	224	–	–	–	1,400
Profit for the year attributable to the equity holder of the Company	–	–	–	–	776	776
Changes in the value of cash flow hedges	–	–	105	–	–	105
Tax relating to cash flow hedges	–	–	(26)	–	–	(26)
Dividends	–	–	–	–	(350)	(350)
At 31 December 2024 and 1 January 2025	2,955	3,105	183	331	1,570	8,144
Profit for the year attributable to the equity holder of the Company	–	–	–	–	1,072	1,072
Changes in the value of cash flow hedges	–	–	(209)	–	–	(209)
Tax relating to cash flow hedges	–	–	52	–	–	52
Dividends	–	–	–	–	(450)	(450)
At 31 December 2025	2,955	3,105	26	331	2,192	8,609

- (a) At 31 December 2025, the Company had 5,546,197,793 allotted, called up and fully paid ordinary shares of 42p each (2024 5,546,197,793) and 4,330,935,176,274 allocated, called up and fully paid ordinary shares of 42/2907p each (2024 4,330,935,176,274). Holders of these ordinary shares are entitled to dividends as declared from time to time; amounts on the capitalisation of profits and reserves; and notice and attendance at general meetings of the Company, with every member entitled to one vote on a show of hands and on a poll one vote for every share held.
- (b) The share premium account represents consideration received for shares issued in excess of their nominal amount.
- (c) The hedge reserve represents the balance of gains and losses on cash flow hedges (net of taxation) not yet transferred to income or the carrying amount of a non-financial asset.
- (d) For the Group other reserves comprises a merger reserve of £407 million (2024 £407 million) and a capital redemption reserve of £331 million (2024 £331 million). The merger reserve comprises the difference arising on the accounting for the Company's acquisition of subsidiary entities following a previous Group restructure. The capital redemption reserve represents the cumulative nominal value of shares repurchased and cancelled by the Company. For the Company, other reserves comprises only the capital redemption reserve of £331 million (2024 £331 million).
- (e) Retained earnings comprise the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders, principally dividends.

The accompanying Notes 1 to 32 and Appendix 1 are an integral part of the Consolidated statement of changes in equity and the Company statement of changes in equity for the year ended 31 December 2025.

SCOTTISH POWER LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2025

	2025 £m	2024 £m
Cash flows from operating activities		
Profit before tax	2,068	1,621
Adjustments for:		
Depreciation, amortisation and impairment	968	767
Research and development expenditure credit	(5)	(3)
Change in provisions	315	330
Result of investments accounted for using the equity method	(23)	(41)
Capital grants and transfer of assets from customers	(49)	(47)
Net finance income and costs	200	320
Dividends received	(1)	–
Net gains on changes in consolidated interests	(446)	–
Net losses on disposal/write-off of non-current assets	29	23
Movement in retirement benefits	(32)	(105)
Net gains on operating derivatives	(4)	(1)
Movement in deferred income	–	(3)
Changes in working capital:		
Change in trade and other receivables	184	477
Change in inventories	(867)	(894)
Change in trade and other payables	23	(357)
Provisions paid	(8)	(18)
Assets received from customers (deferred income)	165	117
Income taxes paid	(176)	(255)
Net cash flows from operating activities (i)	2,341	1,931
Cash flows from investing activities		
Interest received	18	31
Dividends received	1	–
Investments in intangible assets	(170)	(157)
Investments in property, plant and equipment	(2,442)	(2,037)
Investment in non-current investments	(2)	(2)
Acquisition of investments accounted for using the equity method	(9)	(2,218)
Acquisition of subsidiary	–	(2)
Proceeds from changes in consolidated interests (net of cash acquired)	945	–
Payment on inflation rate swaps	(105)	–
Movement in amounts due from related parties – on demand loans receivable	(722)	–
Net cash flows from investing activities (ii)	(2,486)	(4,385)
Cash flows from financing activities		
Movement in amounts due to related parties – on demand loans payable	(161)	192
Movement in amounts due to related parties – current loans payable	(1,390)	700
Movement in amounts due to related parties – non-current loans payable	600	1,415
Share capital issued	–	1,400
Dividends paid to company's equity holders	(450)	(350)
Dividends paid to minority interests	(121)	(121)
Interest paid	(565)	(433)
Interest paid on lease liabilities	(24)	(20)
Repayments of external loans and other borrowings	(7)	(398)
Cash inflows from external loans and other borrowings	2,200	–
Receipt on settlement of interest rate swap	257	–
Payments of other financial liabilities	(6)	(7)
Payments of lease liabilities	(45)	(34)
Net cash flows from financing activities (iii)	288	2,344
Net increase/(decrease) in cash and cash equivalents (i)+(ii)+(iii)	143	(110)
Cash and cash equivalents at beginning of year	207	317
Cash and cash equivalents at end of year	350	207
Cash and cash equivalents at end of year comprises:		
Statement of financial position cash and cash equivalents (including restricted cash – refer to Note 10(a))	350	207
Cash and cash equivalents at end of year	350	207

The accompanying Notes 1 to 32 and Appendix 1 are an integral part of the Consolidated statement of cash flows for the year ended 31 December 2025.

SCOTTISH POWER LIMITED

NOTES TO THE ACCOUNTS

31 December 2025

1 GROUP AND COMPANY INFORMATION

Scottish Power Limited (registered company number SC193794), a private company limited by shares, is incorporated in Scotland and its registered address is 320 St. Vincent Street, Glasgow, Scotland, G2 5AD. The Company is the holding company of the ScottishPower group. The nature of the Group's and Company's operations and principal activities are set out in the Strategic Report on page 1.

The Consolidated financial statements comprise those of the Company and its subsidiaries (together referred to as "the Group"). The Company financial statements present information about the Company as a separate entity and not about the Group.

2 BASIS OF PREPARATION

A BASIS OF PREPARATION

The Consolidated and Company accounts are prepared in accordance with the accounting policies set out in Note 4. Monetary amounts are presented in pounds Sterling and rounded to the nearest million unless otherwise indicated. The Consolidated and Company accounts are prepared on the historical cost basis apart from certain financial assets and liabilities measured at fair value.

The Company chooses to prepare consolidated accounts for the Scottish Power Limited group and deliver them to the Registrar of Companies. The Consolidated accounts have been prepared in accordance with UK-adopted international accounting standards ("IAS"). Refer to Note 2A1 for the Basis of consolidation and equity accounting.

The Company financial statements have been prepared in accordance with FRS 101. In applying FRS 101, the Company has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- the preparation of a Statement of cash flows and the related notes;
- disclosures in respect of transactions with wholly-owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- the effects of new, but not yet effective, IAS pronouncements; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Iberdrola, S.A., its ultimate parent company include the equivalent disclosures, the Company has also taken the following available exemptions under FRS 101:

- certain disclosures required by IFRS 13 'Fair Value Measurement' ("IFRS13");
- disclosures required by IAS 12 'Income Taxes' relating to Pillar Two model rules in respect of deferred tax assets and liabilities; and
- disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement. The Company's Income statement was authorised for issue by the SPL Board on 2 June 2026. The net profit for the financial year per the financial statements of the Company was £1,072 million (2024 £776 million).

A1 BASIS OF CONSOLIDATION AND EQUITY ACCOUNTING

The Consolidated accounts incorporate the Accounts of the Company and its subsidiaries, together with a share of the results, assets, and liabilities of joint operations to 31 December each year. Investments in joint ventures and associates are accounted for using the equity method. Further information about the Group's subsidiaries, joint arrangements and associates is detailed in Note 9 and Appendix 1.

(a) Subsidiaries

Subsidiaries are those entities which the Group has the right to control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

On acquisition of subsidiaries deemed to be business combinations, the assets and liabilities of the subsidiary are measured at fair value at the date of acquisition. The cost of an acquisition is measured as the fair value of any assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Transaction costs related to the acquisition are expensed as incurred. Any excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognised as goodwill. If the fair value of the net assets acquired is in excess of the acquisition cost, the Group reassesses whether it has correctly identified all of the assets acquired and liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If this still results in an excess of the fair value of the net assets acquired over the acquisition cost, the gain is recognised in the Consolidated income statement.

Where the acquisition of a subsidiary is deemed to be an asset acquisition, the cost is allocated to the identifiable assets and liabilities on the basis of their relative values at the date of acquisition.

Non-controlling interests are initially stated at their proportion of the fair value of the assets and liabilities recognised. Non-controlling interests' share of the results and equity of subsidiaries are shown separately in the consolidated primary financial statements.

Changes in the Group's ownership of an interest in a subsidiary, not resulting in the Group losing control, are treated as equity transactions.

(b) Joint arrangements

Joint arrangements are arrangements that are jointly controlled by the Group and at least one other party. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are either classified as joint operations or joint ventures depending on the contractual rights and obligations of the parties to the arrangement. The Group has both joint operations and joint ventures.

SCOTTISH POWER LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2025

2 BASIS OF PREPARATION *continued*

Joint ventures

A joint venture exists where the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Investments in joint ventures are accounted for using the equity method (refer to (d) below).

Joint operations

A joint operation exists where the Group and other parties that have joint control of the arrangement have rights to the assets of the joint arrangement and the obligations for its liabilities. The Group recognises its share of the assets, liabilities, revenues and expenses relating to its interest in the joint operations in the Consolidated accounts on a line-by-line basis.

(c) Associates

Associates are entities over which the Group has significant influence i.e. the power to participate in the financial and operating policy decisions of the investee but it is not control or joint control of those policies. Investments in associates are accounted for using the equity method of accounting (refer to (d) below).

(d) Equity method

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the Consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in the Consolidated statement of comprehensive income. Dividends received from joint ventures and associates are recognised as a reduction in the carrying amount of the investment.

A2 GOING CONCERN

The business activities of the Group and Company, together with the factors likely to affect their future development and position, are set out in the Strategic Report on pages 1 to 53. Details of the risks and uncertainties faced by the Group, and how these are addressed, are set out in the Strategic Report on pages 29 to 32.

The Group continues to monitor the geopolitical situations across the world, including in the Middle East, and continues to assess the risk this presents for energy prices. Customer business continues to hedge the commodity price exposure to minimise the impact from increased energy prices. Due to the other core activities of the Group in Energy Networks and Renewable production, the direct effect on the total cash flows and liquidity is expected to be limited.

The Consolidated and Company financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company is the holding company of the ScottishPower Limited Group which is a significant component of Iberdrola S.A., one of the world's largest utilities. The liquidity and financial management of the Group and Company is undertaken through the centralised UK treasury function operated by the Company ("SPL Treasury"). SPL Treasury coordinates with Iberdrola to manage the funding requirements of the Group and Company. Funding requirements are continually monitored, and any funding required is satisfied using a mixture of funding provided via Iberdrola through the global treasury function and by using appropriate external financing arrangements. The day-to-day working capital requirements of the Group and Company are met through operational cash flows augmented by short-term intercompany loans (refer to Note 16) and trading balances with the Iberdrola Group. The Iberdrola Group has also provided £3.2 billion of committed revolving credit facility maturing in 2029 which, as at the date of approval of these financial statements, the facility remains available and largely undrawn (refer to Note 16(a)(ii)). As a consequence, the Group and Company depend, in part, on the ability and intention of the Iberdrola Group to continue as a going concern.

The directors have considered the funding relationship of the Group and Company with Iberdrola to date and have considered available relevant information, including the liquidity disclosures in the Iberdrola Group's 2025 financial statements, relating to Iberdrola's ability to continue as a going concern. In addition, the directors have inquired with the Iberdrola Group and have no reason to believe that they do not have the ability to, and will not continue to, fund the Group and Company to enable it to continue in operational existence.

For the purposes of the directors' assessment of the going concern position of the Group and Company, the directors have prepared a Consolidated and Company cash flow forecast for a period of at least twelve months from June 2026 on the basis of the ongoing liquidity of the UK wholesale energy and gas markets, including the cash flow needed to continue to invest in the longer-term strategies and projects. The cash flow forecasts include a severe but plausible downside scenario reflecting adverse movements in the renewables price curve, lower Renewable production energy production, decreases in energy customer demand, and reductions in the collectability of the energy customers' trade receivables.

The base case cash flow forecasts indicate the Group is able to meet its obligations as they fall due throughout the going concern period using existing resources and committed facilities. Under plausible downside scenarios, the Group's significant capital investment programme means that additional financing may be required during the going concern period. The directors are confident in the ability and intention of the Iberdrola Group, to maintain the required funding level during the going concern assessment period and beyond, based on the borrowing history to date, the liquidity position of the Iberdrola Group, and the importance of the investment programme to the Iberdrola Group.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. In the unlikely event of not being able to access all the additional funding as may be required, the Group and Company have a range of options including investment deferral and the issuance of external debt.

Consequently, the directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least twelve months from the date of approval of the Consolidated and Company financial statements and, therefore, have prepared the financial statements on a going concern basis.

SCOTTISH POWER LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2025

2 BASIS OF PREPARATION *continued*

B IMPACT OF NEW IAS

In preparing these Accounts, the Group and Company have applied all relevant standards and interpretations that have been adopted by the UK as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2025.

For the year ended 31 December 2025, the Group and Company have applied the following amendments to standards for the first time and their application has not had a material impact on the Group's or Company's accounting policies, financial position or performance:

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability'; and
- Amendments to IFRS 9 'Financial Instruments' ("IFRS 9") and IFRS 7 'Financial Instruments: Disclosures' ("IFRS 7"): 'Contracts with Nature-dependent Electricity'.

The Group and the Company have early adopted the aforementioned Amendments to IFRS 9 and IFRS 7 and have applied them with effect from 1 January 2025.

The following new standards and amendments have been issued by the International Accounting Standards Board ("IASB") but have an effective date after the date of these financial statements or have not been endorsed by the UK, and thus have not yet been implemented by the Group. The Group intends to implement the pronouncements in line with the IASB effective date subject to UK endorsement.

- Annual Improvements to IFRS Accounting Standards – Volume 11. Effective from 1 January 2026.
- Amendments to IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments'. Effective from 1 January 2026.
- IFRS 18 'Presentation and Disclosure in Financial Statements'. Effective from 1 January 2027.
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'. Effective from 1 January 2027.
- IFRS 14 'Regulatory Deferral Accounts'. Endorsement process not launched.
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'. The IASB has indefinitely deferred the effective date of these amendments. Endorsement process not launched.

IFRS 18 'Presentation and Disclosure in Financial Statements' is effective for the Group as of 1 January 2027. The application of this standard will not have a material impact on the underlying financial position or performance of the Group. However, upon implementation, the Group will adapt the structure of the Income statement to the categories and sub-totals established by the new standard and will include a specific note in the financial statements to report on the Group's management-defined performance measures.

In January 2021, IASB published its exposure draft 'Regulatory Assets and Regulatory Liabilities' and expects to publish the new Standard in mid 2026. The Group is monitoring this project and considering its impact on the Group and its adoption options.

The future application of the other issued pronouncements is not expected to have a material impact on the accounting policies, financial position or performance of the Group.

3 JUDGEMENTS AND ESTIMATION UNCERTAINTIES

Management has made a number of judgements and assumptions regarding the future and about other sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the Group's and the Company's reported amounts of assets and liabilities within the next financial year. The significant and other judgements and estimation uncertainties made by management are set out below.

A SIGNIFICANT JUDGEMENTS

(a) Classification of Electricity North West Holdings Limited ("ENWH")

The Group's acquisition of an 88% stake in the share capital of ENWH completed on 22 October 2024. The CMA issued an Initial Enforcement Order ("IEO") on that date, which prevented any integration between the Group and the ENWH Group, until the CMA had completed its reviews. The CMA cleared the acquisition on 20 March 2025 and the IEO was lifted. During the IEO period, the directors concluded that despite its 88% equity ownership in ENWH, the Group did not control the ENWH Group as it did not consider that it had the ability to direct the relevant activities of the ENWH Group while the IEO was in place. Instead, the Group concluded that from an accounting perspective, it had significant influence over ENWH and the ENWH Group, and therefore the ENWH Group represented associates that were subject to equity accounting for the period of acquisition to 19 March 2025.

(b) Step acquisition of ENWH Group

On 20 March 2025 control of the ENWH Group was deemed to have transferred to the Group and the ENWH Group was fully consolidated from this date with the exception of its joint venture, Steel River Power Limited, which continues to be equity accounted.

Management, with support from third-party experts, performed an exercise to fair value the assets and liabilities acquired on 20 March 2025, the date of acquisition. The key items on the Statement of financial position fair valued included:

- Property, plant and equipment ("PPE") valued at £2,892 million. The reduction of £1,067 million relative to the book valued acquired represents a combination of an accounting adjustment to remove deferred customer contributions and a fair value reduction;
- a licence intangible asset of £2,100 million, attributed to the licence required to operate the DNO acquired; and
- loans and borrowings of £1,995 million, a fair value reduction of £137 million on the pre-acquisition book value.

Goodwill of £493 million was recorded on acquisition and is attributable to the value and growth of the ENWH Group's non-regulated business and the value of its skilled workforce.

The most significant judgements related to the allocation of value between PPE, the acquired licence intangible asset and the goodwill recorded.

The fair value of PPE was determined based on cash flows relating to the regulatory asset base and its associated returns. Given there is no future cash inflow related to assets which were funded by customer contributions, this resulted in an accounting adjustment of £504 million.

3 JUDGEMENTS AND ESTIMATION UNCERTAINTIES *continued*

The fair value of the licence intangible asset was determined based on discounting the incremental cash flows relating to the licence. These cash flows were calculated by subtracting the cash flows attributable to PPE and goodwill from the cash flows for the business as a whole. The licence cash flows are mainly due to the additional value that can be created via the regulatory mechanisms, e.g. through incentives or total expenditure outperformances, and are therefore subject to a high degree of uncertainty.

B SIGNIFICANT ESTIMATION UNCERTAINTIES

(a) Retirement benefit obligations (including valuation of level 3 pension plan assets) – Group

The key assumptions underlying the valuation of retirement benefit obligations include the discount rate, inflation rates and mortality. The assumptions adopted are based on scheme experience, market conditions and are set after consultation with qualified actuaries and other specialists within the Iberdrola Group. While these assumptions are believed to be appropriate, a change in these assumptions could materially impact the value of the defined benefit obligation recorded within the next twelve months. Note 8 provides information on the key assumptions used and sensitivity analysis relating to the retirement benefit obligations of the Group.

Similarly, the valuation of the plan assets is subject to estimates and assumptions. In particular for asset classes that are unquoted and are based on estimates. Certain level 3 plan assets are, therefore, subject to significant estimation uncertainty which could materially impact the value of the plan assets recorded within the next twelve months. Further detail is provided in Note 8E3.2.

(b) ECL on energy customers' trade receivables – Group

The Group applies the IFRS 9 simplified model to measure ECLs, which uses a lifetime expected loss allowance, for all energy customers' trade receivables. The Group has adopted the practical expedient whereby it calculates the ECL on energy customers' domestic and SME trade receivables using a provision matrix. In line with previous years, the provision rates are based upon the customers' payment plan, historical credit loss experience and, where possible, adjusted for forecast information. To establish levels of ECLs for these customers, the recoverability of equivalent balances from the previous four years have been reviewed.

There is a level of estimation uncertainty in determining the provision for domestic and SME customers, recognising the recovery of additional historic debt created as a result of the moratorium on PPMs and the energy crisis, as well as new bad debt build up from ongoing affordability concerns and the new rules which extend the group of customers who are deemed not suitable for PPMs. In line with IFRS 9, a forward-looking loss allowance has been included to ensure that external factors are appropriately mitigated.

Included within the gross carrying amount of trade receivables is £836 million (2024 £932 million) of billed receivables. The loss allowance in relation to billed receivables is £271 million (2024 £332 million). While the methodology and assumptions applied in estimating the ECL for the year ended 31 December 2025 and the provision held at that date in respect of the energy customers' trade receivables are deemed to be appropriate, a change in these assumptions could materially impact the value of ECLs recorded within the next twelve months.

The actual level of billed receivables collected may differ from the estimated levels of recovery, which could impact operating profit positively or negatively. At 31 December 2025, the loss allowance for billed receivables of £271 million was supported by a projection based on a 48-month cash collection performance. Based on the weighted average expected loss rates in the table in Note 11, a 5% increase in the overall expected loss rate would increase the loss allowance by £42 million. A 5% decrease would decrease the loss allowance by £42 million. Given the four-year average movement in the loss allowance percentage and recognising the ongoing risk in customers' ability to pay due to the cost of living crisis, a 5% loss allowance sensitivity is considered appropriate.

(c) Accrued 'unbilled' revenue – Group

The Group operates in the British energy industry, whose nature is such that revenue recognition is subject to a degree of estimation. Revenue includes an estimate of the units supplied to customers between the date of their last meter reading and the year end. This is included as unbilled revenue within Trade and other receivables and where customer accounts are in a net credit balance (after applying unbilled estimates), is included in Other payables within Trade and other payables. This estimate is based on external data supplied by the electricity and gas market settlement process and internal data relating to energy purchases where settlement data is not yet available. While these assumptions are believed to be appropriate, a change in these assumptions could materially impact the value of the accrued revenue recorded within the next twelve months. Where volumes are yet to reach final settlement, the unbilled revenue is constrained such that revenue is recognised only to the extent that it is highly probable that a significant reversal will not occur. The constraint is determined by considering the current unbilled position, historical trends, and any other known factors. The value assigned to these estimated volumes is based on a weighted average price per unit derived from the billing systems. This methodology is consistent and in line with prior years, settlement data received post year end was reviewed and supported the level of constraint.

The estimated value of energy delivered to customers is included within billed revenue (where an estimated reading is included within an issued invoice) and unbilled revenue (where no invoice has been issued). The net unbilled position at 31 December 2025 of £(254) million (2024 £(241) million), relates primarily to energy delivered in the final months of the year. This includes Gross unbilled revenue included within the Statement of financial position at 31 December 2025 of £530 million (2024 £513 million), which contains a £16 million (2024 £44 million) revenue constraint. This is before applying customer credit balances of £765 million (2024 £728 million) in relation to customers in arrears after applying unbilled charges and a £19 million (2024 £26 million) provision in respect of ECLs. For further details on ECLs, refer to Note 11.

Had actual consumption been 6% higher or lower than the estimate of units supplied (the average variance based on recent historical analysis), this would have resulted in revenue recognised for unbilled amounts being £38 million higher and lower respectively. The value assigned to this volume sensitivity is based on a weighted average price per unit derived from the billing systems. Approximately 95% of unbilled revenue relates to the most recent quarter where there is a higher level of estimation uncertainty.

3 JUDGEMENTS AND ESTIMATION UNCERTAINTIES *continued*

(d) Provision for decommissioning costs – Group

Decommissioning costs are subject to a degree of uncertainty as they are estimated at the reporting date and actual decommissioning will take place in the future. There is also uncertainty over when the actual decommissioning costs will be incurred. The sources of estimation uncertainty relate to the estimated value of the costs at the reporting date and the discount rate applied. This estimation uncertainty creates a risk of a material adjustment to the provision in the next financial year. Refer to Note 4L for further details.

The value of decommissioning provisions in the Statement of financial position is £313 million (2024 £285 million). The increase in the year is primarily due to the unwinding of the discount and new provisions.

The discount rates applied are based on UK treasury bonds with maturities which are similar to the expected decommissioning date. The discount rates utilised in the current year ranged from 3.72% to 5.39%. The inflation rates applied are obtained from the Bank of England's forecasted inflation rates for the UK. The decommissioning costs are expected to be incurred between 2026 and 2067.

Sensitivity analysis reflecting reasonably probable fluctuations to the main assumptions in the calculation of the decommissioning provision has been performed. Had the estimated value of the costs at the reporting date been 10% higher or lower, this would have resulted in the decommissioning provision being approximately £31 million higher and lower respectively. Had the inflation rate applied been 1% higher or lower, this would have resulted in the decommissioning provision being approximately £45 million higher and £44 million lower respectively. Had the discount rate applied been 1% higher or lower, this would have resulted in the decommissioning provision being approximately £44 million lower and £46 million higher respectively. Any changes in the carrying value of decommissioning provisions are reflected in the corresponding carrying value of decommissioning assets capitalised within Property, plant and equipment.

C NON-SIGNIFICANT JUDGEMENTS

Consideration of climate change – Group and Company

The impact of climate change, including risks identified in the Strategic Report on page 31, on the financial statements has been considered. No material impact on the judgements and estimates made in the preparation of the financial statements has been identified. This consideration focussed on the following areas:

- Group and Company: the going concern position of the Group and Company, including the cash flows prepared for the directors' assessment referred to in Note 2A2;
- Group: whether the transition plans disclosed on pages 39 to 45 are an impairment indicator and consistent with the useful lives of the certain of the Group's assets included in Notes 5 and 6; and
- Group: the risk that increasing variability in weather patterns could result in lower output from renewable generation assets and that there could be a reduction in wholesale electricity prices (as a result of climate change or other factors) are considered in the impairment sensitivities presented in Note 5(b).

Additionally, consideration has been given to any estimates over the longer-term which should be disclosed to allow for an understanding of the financial statements. The Group and Company have no estimates of this nature to disclose.

4 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in preparing the Consolidated and Company financial statements are set out below. In the process of determining and applying these accounting policies, judgement, apart from those involving estimations (refer to Note 3), is often required that can significantly affect the amounts recognised in the financial statements. Management has made no such judgements.

A GOODWILL – GROUP

Goodwill represents the excess of the fair value of the purchase consideration over ScottishPower's share of the fair value of the identifiable assets and liabilities of an acquired business at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses.

Goodwill is recognised as an asset and reviewed for impairment at least annually and whenever there is an indication of impairment. Any impairment is recognised in the Income statement in the period in which it is identified. Any permanent impairment losses are not reversed.

On disposal (or partial disposal) of a subsidiary, associate, jointly controlled entity or business, the proportionate amount of allocated goodwill is included in the determination of the gain or loss arising.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the expected future cash flows of the relevant Cash Generating Unit ("CGU"), or disposal value if higher. The discount rate applied is determined based on market data and the segmental cost of capital. Estimates of cash flows involve a degree of judgement and are consistent with management's plans and forecasts. If an impairment loss is recognised, it is first applied to reduce the carrying amount of goodwill related to the CGU, and then to the other assets of the CGU on a pro rata basis according to each asset's carrying amount. Refer to Note 5(b) for further details on the impairment testing performed on goodwill.

B INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE – GROUP

Intangible assets that have indefinite useful economic lives (such as licences to distribute electricity) are not amortised but tested for impairment annually, or whenever there is an indication of impairment. The useful life is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the expected future cash flows of the relevant CGU, or disposal value if higher. The discount rate applied is determined based on market data and the segmental cost of capital. Estimates of cash flows involve a degree of judgment and are consistent with management's plans and forecasts. Refer to Note 5(b) for further details.

4 PRINCIPAL ACCOUNTING POLICIES *continued*

C OTHER INTANGIBLE ASSETS – GROUP

(a) Computer software

The costs of acquired computer software, such as licences, that are expected to generate economic benefits over a period in excess of one year, are capitalised on the basis of the costs incurred to acquire, and bring to use, the specific software. Amortisation of acquired computer software costs is on a straight-line basis over their operational lives, which is generally up to five years. Maintenance costs are expensed as incurred.

Costs directly attributable to the development of computer software programmes, that are expected to generate economic benefits over a period in excess of one year, are capitalised and amortised on a straight-line basis over their estimated operational lives. Costs include employee costs relating to software development and an appropriate proportion of relevant overheads directly attributable to bringing the software into use. Amortisation of developed computer software costs is over periods of up to eight years. Maintenance costs are expensed as incurred.

Cloud computing arrangements permit the Group to access vendor-hosted software and platform services over the term of the agreement. These contracts are expensed as incurred unless the Group controls the underlying software asset in which case the costs are capitalised, and the related liabilities are measured based on the discounted sum of the future payments for each contract and presented within Other financial liabilities. The Group also incurs implementation costs in respect of such contracts which are capitalised where costs meet the definition and recognition criteria of an intangible asset by being separable and controlled by the Group. Amortisation of capitalised costs relating to cloud computing arrangements is on a straight-line basis over the term of the contract, which is generally up to five years. Maintenance costs are expensed as incurred.

(b) Customer contract costs

The Group capitalises the incremental costs of obtaining certain customer contracts, principally sales commissions, if they are expected to be recovered. These are recorded as a separate asset class within Intangible assets and amortised on a systematic basis according to the average expected life of contracts with customers that are associated with such costs. The amortisation period is between two and four years. The Group has elected to apply the amortisation period to a portfolio of contracts with similar characteristics as the Group expects that the effect on the financial statements is not materially different from applying it to the individual contracts.

D PROPERTY, PLANT AND EQUIPMENT – GROUP

Property, plant and equipment is stated at cost and depreciated on a straight-line basis over the estimated operational lives of the assets once commissioned. Property, plant and equipment includes capitalised employee costs, lease depreciation and other directly attributable costs. Borrowing costs directly attributable to the acquisition, construction or production of major qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Property, plant and equipment also includes transfers of assets from inventories being generic maintenance parts which are capitalised once used in the construction of significant assets. Reviews of the estimated remaining lives and residual values of property, plant and equipment are undertaken annually. Residual values are assessed based on prices prevailing at each reporting date.

Land is not depreciated. The main depreciation periods used are as set out below:

	Years
Wind power plants	22-40
Transmission facilities	40-60
Distribution facilities	22-60
Meters and measuring devices	2-23
Other items of property, plant and equipment	2-50

E LEASED ASSETS – GROUP

A contract is, or contains a lease if, at inception, the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16 'Leases' ("IFRS 16").

An identified asset will be specified explicitly, or implicitly, in the contract, and will be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.

A contract conveys the right to control the use of an identified asset if the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and the customer has the right to direct the use of the asset. The customer has this right when they have the decision-making rights that are most relevant to changing how and for what purpose the asset is used. Where this is predetermined, the customer has the right to direct the use of the asset if either they have the right to operate the asset or they designed the asset in a way that predetermines how and for what purposes it will be used.

The Group has elected not to separate non-lease components and thus accounts for the lease and non-lease components in a contract as a single lease component.

As a lessee, the Group recognises a right-of-use asset at the lease commencement date, measured initially at cost. This comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset, or restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date over the shorter of the useful life of the underlying asset and the lease term. The right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability. Right-of-use assets are presented within Non-current assets in the Statement of financial position and the depreciation charge is recorded within Depreciation, amortisation and provisions in the Income statement.

SCOTTISH POWER LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2025

4 PRINCIPAL ACCOUNTING POLICIES *continued*

The lease liability recognised at the commencement date is measured initially at the present value of the lease payments that are not paid at that date. Where the rates implicit in the leases cannot be readily determined, the liabilities are discounted using the incremental borrowing rate of the Group, being the currency-specific interest rate that would be incurred on a loan, with similar terms, to purchase a similar asset. The incremental borrowing rates will be updated annually and applied to leases commencing in the subsequent year. Therefore, the lease liability is measured at amortised cost using the effective interest rate method. Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments); variable lease payments that depend on an index or a rate initially measured using the index or rate at the commencement date; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to do so.

The lease liability is remeasured when there is a change in the future lease payments arising from a change in the index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. This change in the lease liability will result in a corresponding adjustment to the carrying amount of the right-of-use asset, or in the Consolidated income statement if the carrying amount of the right-of-use asset is zero.

Lease liabilities are presented separately in the Statement of financial position; the discount on the liabilities unwinds over the term of the lease and is charged to Finance costs in the Income statement.

The Group has elected not to recognise right-of-use assets and lease liabilities for certain short-term leases that have a lease term of twelve months or less, and leases of intangible assets. The Group recognises any lease payments associated with such leases as an expense on a straight-line basis over the lease term.

In the Statement of cash flows, the Group includes the payment of lease liabilities and interest paid on lease liabilities within Cash flows from financing activities; variable lease payments which are not dependent on an index or rate are included in Cash flows from operating activities.

F IMPAIRMENT OF OTHER INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND LEASED ASSETS – GROUP

At each reporting date, the Group reviews the carrying amount of other intangible assets, property, plant and equipment and leased assets (where relevant) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (the greater of its value-in-use and its fair value less costs to sell) is estimated in order to determine the extent of the impairment loss (if any). In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, the risks specific to the asset and lease liabilities under IFRS 16.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. Any impairment is recognised in the Income statement in the period in which it is identified. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, net of depreciation or amortisation, if no impairment loss had been recognised.

G RETIREMENT BENEFITS – GROUP

The Group provides pensions through three defined benefit schemes and two defined contribution retirement benefit schemes in the UK.

The cost of providing benefits under the defined benefit schemes is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Remeasurements of the net defined benefit asset/liability are recognised, directly in Retained earnings, in the period in which they occur, and are shown in the Statement of comprehensive income. The current service cost element of the pension charge is recognised within Staff costs in the Income statement. Net interest on the net defined benefit liability or asset is included within Finance costs and Finance income, respectively, in the Income statement. The retirement benefits asset and liability recognised in the Consolidated statement of financial position represent the surpluses and deficits, respectively, in ScottishPower's defined benefit pension schemes.

Payments to the defined contribution schemes are charged as an expense as they fall due.

Key sources of estimation uncertainty in respect of retirement benefit obligations are disclosed in Note 3.

H INVESTMENTS IN SUBSIDIARIES – COMPANY

The Company's investments in subsidiaries are stated in the Company statement of financial position at cost, or the fair value of shares issued as consideration where applicable. Dividends from subsidiaries are recognised when the right to receive the dividend is established.

Investments in subsidiaries are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by continuing to hold the asset and benefiting from the net present value of the future cash flows (value-in-use) of the investment.

I FINANCIAL INSTRUMENTS – GROUP AND COMPANY

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

11 FINANCIAL ASSETS

11.1 CLASSIFICATION

Financial assets are classified as being measured at amortised cost or fair value through profit or loss ("FVTPL"). The classification of financial assets depends on the Group's and Company's business model for managing them to generate cash flows.

The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The business model of the Group and Company do not depend on the intentions of management for an individual instrument. Therefore, it is not an instrument-by-instrument classification approach but determined from a higher level of aggregation.

4 PRINCIPAL ACCOUNTING POLICIES *continued*

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the 'SPPI' test.

All remaining financial assets (including equity instruments and other investments) that are not included within the above categories, are classified as FVTPL.

Financial assets are only subsequently reclassified when the Group or Company changes its business model for managing them. Reclassifications are effective from the first day of the first reporting period following the change in business model. Such reclassifications are expected to be infrequent.

On demand loans receivable are classified as non-current in the Statement of financial position unless the Group or Company expects to realise the assets within twelve months after the reporting date, in which case the loans are classified as current. Trade receivables are classified as current if collection is expected in twelve months or less, or within the normal operating cycle of the business if longer.

11.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

All financial assets, except for trade receivables which are initially recognised when they originate, are initially recognised when the Group or Company become party to the contractual provisions of the instrument.

Subject to two exceptions, financial assets are initially measured at fair value. The two exceptions are trade receivables without a significant financing component which are measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15"), and financial assets not classified as FVTPL which are measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(b) Subsequent measurement and gains and losses

Financial assets classified as amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by ECLs. Interest income, foreign exchange gains and losses, and net credit losses are recognised in the Income statement. Any gain or loss on derecognition is also recognised in the Income statement.

Financial assets classified as FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the Income statement unless the financial asset is a derivative which is part of a hedging relationship (refer to Note 413). It may not be possible to obtain a market valuation for some unquoted investments, therefore they are valued at cost and assessed for impairment.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when either the rights to receive cash flows from the asset have expired; there is no reasonable expectation of recovering all, or a portion of, the contractual cash flows; or in certain circumstances where the Group or Company has transferred its rights to receive cash flows from the asset, or has entered a 'pass-through' arrangement obligating the Group or Company to pay the received cash flows in full without material delay to a third party. Under the last scenario, the Group or Company evaluates if, and to what extent, it has retained the risks and rewards of ownership and derecognises the financial asset where these have been transferred. If substantially all the risks and rewards of ownership have neither been transferred nor retained, the Group or Company assess whether they control the asset. Where the Group or Company does not retain control, the asset is derecognised and separate assets and liabilities are recognised to reflect the effect of the transfer.

(d) Impairment of financial assets

(i) Measurement of ECLs

Disclosures relating to impairment of financial assets for the Group are provided in Note 11. The Group recognises an allowance for ECLs for all debt instruments not classified as FVTPL. ECLs are a probability-weighted estimate of credit losses. The Group has adopted the simplified ECL model for its trade receivables and the general ECL model for all other financial assets measured at amortised cost.

In applying the simplified model, loss allowances for trade receivables are measured at an amount equal to lifetime ECL. The Group has segmented its trade receivables between those relating to energy customer debt and those within the rest of the Group. For each grouping, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for, where possible, forward-looking factors specific to the debtors and the economic environment in which they operate (refer to Note 11(b)).

For energy customer debt, ECLs are calculated based upon a provision matrix approach that reflects the risk inherent in different payment plans, the differences in collection rates between debt attributable to current or lost (final) customers and the greater challenge in collecting older debt balances.

For I&C customers, the ECL is based on external credit scoring. The Energy Customer Credit Risk and Corporate Risk teams remain vigilant in tracking any liquidity issues on existing customers to identify any pre-emptive actions required, including putting collateral or letters of credit in place. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and those the Group expects to receive).

ECLs for all other financial assets are recognised using the general model which works as follows:

- for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses resulting from default events that are considered possible within the shorter of the next twelve months and the life of the financial asset (a twelve month ECL); and
- for credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

4 PRINCIPAL ACCOUNTING POLICIES *continued*

As an exception to the general model, if the credit risk of a financial instrument is low at the reporting date, management can measure impairment using a twelve-month ECL and so it does not have to assess whether a significant increase in credit risk has occurred. For this operational simplification to apply, the financial instrument has to meet the following requirements:

- it has a low risk of default;
- the borrower is considered, in the short-term, to have a strong capacity to meet its obligations; and
- the lender expects, in the longer-term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.

The Group considers financial assets to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment-grade'. The Group considers this to be BBB- or higher per rating agency S&P Global Ratings. Therefore, all of the Group's other financial assets are considered to have low credit risk at both the beginning and end of the reporting period.

The Group has different definitions of default (risk of non payment) for different groups of customers and receivables. For some groups it is based upon the number of days past due and for others it is when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amount in full (before taking into account any credit enhancements held by the Group). These varying definitions of default are inherent in the loss allowances applied in both the simplified and general ECL models.

(ii) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are 'credit-impaired'. This is the case when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Generally, receivables are credit-impaired when payment is past the contractual payment date.

12 FINANCIAL LIABILITIES

12.1 CLASSIFICATION

Financial liabilities are classified as measured at FVTPL or amortised cost. A financial liability is classified as FVTPL if it is classified as held-for-trading, a derivative, or otherwise designated as such on initial recognition.

12.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(b) Subsequent measurement and gains and losses

Financial liabilities classified as FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the Income statement.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Income statement. Any gain or loss on derecognition is also recognised in the Income statement. This is the category most relevant to the Group and the Company as it includes interest-bearing loans and borrowings, and trade and other payables.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees, or costs that are an integral part of the effective interest rate. The effective interest charge is included as Finance costs in the Income statement. This subsequent measurement technique does not apply where the loan or borrowing is a hedged item in an effective fair value hedging relationship (refer to Note 413.4).

(c) Derecognition

The Group and Company derecognise a financial liability when the obligation under that liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability recognised. The difference in their respective carrying amounts is recognised in the Income statement.

12.3 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group and Company offset a financial asset and a financial liability, and reports the net amount, only when there is a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

13 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

13.1 DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company use derivative financial instruments, such as forward foreign currency contracts, interest rate derivatives, inflation rate swaps, commodity swaps and forward commodity contracts, to hedge its foreign currency, interest rate, inflation and commodity price risks. Derivatives are carried as financial assets and financial liabilities when their fair values are positive and negative respectively.

The gain or loss on remeasurement to fair value is recognised immediately in the Income statement unless the derivative is subject to hedge accounting. Where the derivative is subject to hedge accounting, the recognition of any gain or loss depends on the nature of hedge accounting applied (refer to Notes 413.3 and 413.4).

At the inception of a hedge relationship, the Group or the Company formally designate and documents the relationship to which it wishes to apply hedge accounting, the risk management objective, and the strategy for undertaking the hedge. The hedge documentation identifies the hedging instrument, the hedged item, the nature of the risk being hedged and the method by which the Group or the Company will assess whether the hedge effectiveness requirements are met (including sources of potential ineffectiveness and how the hedge ratio is determined).

SCOTTISH POWER LIMITED

NOTES TO THE ACCOUNTS *continued*

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4 PRINCIPAL ACCOUNTING POLICIES *continued*

A hedging relationship qualifies for hedge accounting when all of the following effectiveness criteria are satisfied:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the relationship is the same as that resulting from the quantity of the hedged item and the quantity of the hedging instrument that the Group or the Company use to hedge that quantity of the hedged item.

Where the Group or the Company hedge a risk component of an underlying transaction, that component is designated as the hedged item only when it is separately identifiable and can be reliably measured.

The accounting for cash flow and fair value hedges is set out at Notes 4I3.3 and 4I3.4 respectively.

In the Statement of cash flows, cash flows relating to hedging instruments are classified consistently with the cash flows of the hedged item.

13.2 EMBEDDED DERIVATIVES

When the Group becomes party to a host contract which is not classified as FVTPL and contains an embedded derivative, an assessment is carried out to determine whether the embedded derivative requires to be separated from the host contract and accounted for as a derivative.

An embedded derivative will be separated where:

- a stand-alone financial instrument on the same terms would be classified as a derivative; and
- the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract.

An embedded derivative would only ever be reassessed where a change to the contract significantly modifies the cash flows due under the contract.

13.3 CASH FLOW HEDGES

The Group and the Company designate only the spot element of debt-related forward foreign currency contracts (hedging the value of currency denominated loans) as a hedging instrument. The forward element is recognised in Other comprehensive income and accumulated as a separate component of the hedge reserve under the Cost of hedging reserve. For almost all other forward foreign currency contracts, the Group and the Company designate the entire forward contract (both the spot and forward elements) as the hedging instrument.

The portion of gain or loss of the hedging instrument determined to be an effective hedge is recognised in Other comprehensive income and forms part of the hedge reserve. Any ineffective portion of the change in fair value is recognised immediately in the Income statement, within Procurements for hedges of underlying operations, and within Finance income or Finance costs, as appropriate, for hedges of financing activities. If the cash flow hedge relates to an underlying transaction which results in the recognition of a non-financial asset, the associated gains or losses on the derivative (previously recognised in the Cash flow hedge reserve) are recognised in the initial measurement of the asset arising from the hedged transaction. For hedges that relate to an underlying transaction which results in recognition of a financial asset or a liability, amounts deferred in equity are recognised in the Income statement in the same period in which the hedged item affects it.

In the case of cash flow hedging, any gain or loss that has been recognised in the Cash flow hedge reserve remains there until the forecast transaction occurs. If the transaction is no longer expected to occur, the gain or loss previously deferred in the Cash flow hedge reserve is recognised in the Income statement. The Group and the Company discontinue hedge accounting when the hedge instrument expires or is sold, terminated or exercised, or when the hedge relationship no longer qualifies for hedge accounting.

13.4 FAIR VALUE HEDGES

The gain or loss from remeasuring the hedging instrument at fair value is recognised directly in the Income statement in the same location as the gain or loss from remeasuring the hedged item. The gain or loss on the hedged item adjusts its carrying amount (when the item would otherwise have been measured at amortised cost) and is recognised in the Income statement. The Group commences amortisation of any such adjustments to the carrying amount of the hedged item when the hedging relationship ends.

On the discontinuance of hedge accounting, any adjustment made to the carrying amount of the hedged item as a consequence of the fair value hedge relationship, is recognised in the Income statement over its remaining life.

14 FAIR VALUATION OF FINANCIAL INSTRUMENTS

In those circumstances where IFRS 9 requires financial instruments to be recognised in the Statement of financial position at fair value, the Group's valuation strategies for derivative and other financial instruments utilise, as far as possible, quoted prices in an active trading market.

In the absence of quoted prices for identical or similar assets or liabilities, it is sometimes necessary to apply valuation techniques where contracts are marked using approved models. Models are used for developing both the forward curves and the valuation metrics of the instruments themselves where they are complex combinations of standard and non-standard products. All models are subject to rigorous testing prior to being approved for valuation, and subsequent continuous testing and approval procedures are designed to ensure the validity and accuracy of the model assumptions and inputs.

Where derivatives are not collateralised, their valuation reflects the Group's credit risk in the case of liabilities, and the counterparty's credit risk in the case of assets. All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy, the details of which are disclosed in Note 10B.

15 COLLATERAL

Collateral agreements are utilised to facilitate derivative trading and generally to mitigate credit risk and manage credit exposures on both external contracts and contracts with counterparties within the Iberdrola Group. The terms and conditions of these agreements vary according to the counterparty and the associated transactions. Collateral posted and collateral held are recognised as financial assets and financial liabilities respectively and are accounted for in accordance with the policies described in Note 4I1 and Note 4I2.

Collateral posted is included within Trade and other receivables.

SCOTTISH POWER LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2025

4 PRINCIPAL ACCOUNTING POLICIES *continued*

Collateral held is included within Trade and other payables with the exception of collateral held for the purpose of mitigating the credit risk from specific derivative assets entered into for the purpose of hedging specific loans and borrowings which is included within Current other financial liabilities.

J INVENTORIES (EXCLUDING ROCs) – GROUP

Inventories held comprise offshore transmission assets, maintenance parts and consumables, and fuel stock. As a legislative requirement, the Group is not permitted to own and operate the offshore transmission assets which it constructs alongside its offshore wind farms. For the more advanced offshore transmission asset projects, the asset delivery model selected requires the Group to sell the assets to a third party operator following their completion and an initial allowed operational period. Therefore, such transmission assets are being built with a view to sale and not operating them as capital assets over future periods. The costs incurred are recorded as inventory and released through Procurements when sold. The sale of offshore transmission assets are infrequent but a periodic recurring activity, with a construction cycle spanning multiple financial periods.

Inventories are valued at the lower of cost and net realisable value. Cost includes all directly attributable costs incurred in bringing the inventories to their present location and condition. When sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

K ROCs – GROUP

The Group participates in the RO scheme administered by Ofgem. As there are no specific rules under IAS dealing with their treatment, the Group classifies ROCs as inventories because they are a direct input cost to the process of supplying customers. ROCs are recognised at their acquisition cost and charged to the Consolidated income statement as the obligations arise.

The Group recognises liabilities in respect of its obligations to deliver ROCs at the value at which they were initially recorded on the Consolidated statement of financial position. Any estimated shortfall in the liability is calculated based on the relevant buyout price at the reporting date. ROCs surrendered to meet the RO utilises the related provision and is a non-cash movement.

L DECOMMISSIONING COSTS – GROUP

Provision is made, on a discounted basis, for the estimated decommissioning costs of certain non-current assets. Capitalised decommissioning costs are depreciated over the useful lives of the related assets. The unwinding of the discount is included within Finance costs in the Income statement. The discount rate used for each provision is based on UK treasury bonds with maturities which are similar to the expected decommissioning date. The future estimated costs are based on the value of the costs at the reporting date, uplifted for inflation to the end of the useful economic life of the underlying asset, then discounted.

M REVENUE – GROUP

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods and services.

(a) Electricity distribution

The Group provides the service of making its distribution network available to customers. This performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of the Group's performance as it makes the distribution network available. The Group has a right to consideration in an amount that corresponds directly with the value to the customer of the Group's performance to date. Therefore, revenue is recognised in the amount to which the Group has a right to invoice based on the amount of allowed revenue for the year set by the regulatory price control. As allowed revenues are set in advance, some of the underlying components are forecast which will be trued up in future periods based on actual performance (such as incentives). Any over or under recoveries resulting from these changes will be reflected in the calculation of the subsequent years' allowed revenues as set out in the regulatory framework. No accounting adjustments are therefore made for over or under recoveries in the year that they arise as they are contingent on future events (being the distribution of electricity in a future period). Due to the nature of the electricity settlements industry process, revenue includes unbilled income recognised as a receivable relating to units transferred over the network but not yet invoiced at the end of the year. Invoices are raised one month in arrears and are typically settled within one month.

(b) Electricity transmission

The Group provides the service of making its transmission network available to the national system operator. This performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of the Group's performance as it makes the transmission network available. Revenue is recognised in an amount to which the Group has a right to invoice based on the amount of allowed revenue for the year, and recognised over time based on the billable volumes and the rate agreed in the regulatory price control. As allowed revenues are set in advance, some of the underlying components are forecast which will be trued up in future periods based on actual performance (such as incentives). Any over or under recoveries resulting from these changes will be reflected in the calculation of the subsequent years' allowed revenues as set out in the regulatory framework. No accounting adjustments are therefore made for over or under recoveries in the year that they arise as they are contingent on future events (being the transmission of electricity in a future period). Invoices are typically raised and settled on a monthly basis and, therefore, there are no related IFRS 15 receivables, contract assets or contract liabilities at the end of the year.

(c) Transfers of assets from customers

Pursuant to the applicable industry regulations, the Group receives contributions from its customers for the construction of grid connection facilities, or is assigned assets used to connect those customers to a network. Both the cash and the fair value of the facilities received are credited to Deferred income in the Consolidated statement of financial position (this is a contract liability). Revenue is subsequently recognised in line with the period over which the facilities are depreciated. As the cash contributions received from customers relate to underlying business activities, they are recorded as Cash flows from operating activities in the Consolidated statement of cash flows.

SCOTTISH POWER LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2025

4 PRINCIPAL ACCOUNTING POLICIES *continued*

(d) Supply of electricity and gas

The Group's performance obligations are the supply of electricity and/or gas to customers. Both these performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefits of the Group's performance as it supplies electricity and gas. The Group has a right to consideration in an amount that corresponds directly with the value to the customer of the Group's performance to date. Therefore, in line with IFRS 15, revenue is recognised in the amount to which the Group has a right to invoice based on the volume of units supplied during the year and the tariff agreed with the customer.

The Group operates in the British energy industry, whose nature is such that revenue recognition is subject to a degree of estimation. Revenue includes an estimate of the units supplied to customers between the date of their last meter reading and the year end. This is included as unbilled revenue within Trade and other receivables and where Direct Debit customer accounts are in a net credit balance, is included in Other payables within Trade and other payables. This estimate is based on external data supplied by the electricity and gas market settlement process and internal data relating to energy purchases where settlement data is not yet available. Where volumes are yet to reach final settlement, the unbilled revenue is constrained such that revenue is recognised only to the extent that it is highly probable that a significant reversal will not occur, taking into account the current unbilled position, historical trends, and any other known factors. The value assigned to these estimated volumes is based on a weighted average price per unit derived from the billing systems. This methodology is consistent with prior years.

Invoices are generally raised at monthly or quarterly intervals, which customers typically settle on the same basis respectively, except for prepayment customers who pay in advance. Billed and unbilled revenues are recorded in receivables. Amounts in contract liabilities consist of Direct Debit customer payments that are in excess of the associated units of energy delivered, and final customer credits.

(e) Contracts for Difference

CfDs are contracts with the Low Carbon Contracts Company which provide security in respect of revenues generated from electricity produced and sold by the Group through compensation based on the difference between the strike price and the market price, for an agreed period. If the market reference price is lower than the agreed strike price, the generator will receive an additional payment. If the reference price is higher than the strike price, the generator will be liable for the difference.

CfDs are assessed at their inception. For contracts where the market price is expected to be lower than strike price over the term of the agreement, the Group is considered to be in receipt of government assistance. Therefore, in line with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' ("IAS 20"), such CfDs are accounted for as revenue grants and are recognised as income on a systematic basis over the period in which they become receivable, which is at the point of generation. The Group is considered to be a net receiver for all of its CfDs resulting from their assessment at inception.

(f) Other revenues

Other revenues, comprises various revenue streams which are all individually immaterial, including revenues in relation to Customer business and ancillary services contracts for Renewable production. For each revenue stream, revenue is recognised based on the consideration specified in the relevant contract with the customers, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in the future. As relevant for each revenue stream, and in line with the performance obligations in each contract, the Group recognises revenue either at a specific point in time or over a period of time based on when control is transferred to the customer.

N PROCUREMENTS – GROUP

Procurement costs in Energy Networks principally comprise use of system charges from the system operator. In Renewable production, such costs are primarily direct costs and services for the use of the energy network. Procurements within Customer business are principally the cost of electricity and gas purchased in relation to energy supply, and related direct costs and services for the use of the energy network. Costs are recorded on an accruals basis.

O OTHER OPERATING RESULTS – GROUP

Other operating results is principally comprised of recharges, primarily in relation to Energy Networks' unregulated income, recharges of external costs in Customer business and Renewable production activity recharged to other Iberdrola Group companies. The line item also includes unregulated income, compensation and rebates received, lease income, and gains/losses on disposal of non-current assets. Amounts are recorded on an accruals basis.

The increase in other operating results in the year has primarily been driven by the first-time consolidation of the ENWH Group, a one-off insurance receipt in respect of East Anglia One Limited ("EA1L"), as well as a general increase in the value of recharge income across the Group.

P FOREIGN CURRENCIES – GROUP

Transactions in foreign currencies are translated at the spot rate at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date, with exchange gains and losses recognised in Finance income and costs.

Q TAXATION – GROUP AND COMPANY

Assets and liabilities for current tax are calculated using the tax rates that have been enacted, or substantively enacted, at the reporting date.

Deferred tax is the tax expected to be payable, or recoverable, on the difference between the carrying amounts of assets and liabilities in the Statement of financial position and the corresponding tax bases used in the computation of taxable profits (temporary differences), and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses or credits can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the period in which the liability is expected to be settled, or the asset realised, based on tax rates and laws enacted, or substantively enacted, at the reporting date. Deferred tax is charged to the Income statement, except where it relates to items charged or credited to equity (via the Statement of comprehensive income), in which case the deferred tax is also recognised in equity and is shown in the Statement of comprehensive income. The Group and Company offset deferred tax assets and liabilities,

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2025

4 PRINCIPAL ACCOUNTING POLICIES *continued*

and reports the net amount, only when there is a legally enforceable right to set off the amounts, and the offset deferred tax assets and liabilities relate to taxes levied by the same taxation authority on the same taxable company.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or shown in the Statement of comprehensive income. For income tax arising on dividends, the related tax is recognised in the Income statement, Statement of other comprehensive income, or in equity consistently with the transactions that generated the distributable profits.

R CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

Cash and cash equivalents in the Consolidated and Company statement of financial position comprise cash on hand, term deposits and other short-term highly liquid investments which are readily convertible into a known amount of cash without significant risk of changes in value and have a maturity of three months or less at the date of acquisition. In the Consolidated statement of cash flows, Cash and cash equivalents include bank overdrafts repayable on demand the next business day. The restrictions on the cash held in ring-fenced bank accounts for regulatory purposes do not change the nature of the assets, only the purpose for which they can be used, thus are considered as a component of Cash and cash equivalents.

S SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES – GROUP

For details of how the Group accounts for its subsidiaries, joint arrangements and associates, refer to Note 2A1.

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2025

5 INTANGIBLE ASSETS – GROUP

(a) Movements in intangible assets

	Notes	Goodwill £m	Licences (Note (ii)) £m	Computer software £m	Customer contract costs £m	Total £m
Cost:						
At 1 January 2024		365	9	629	149	1,152
Additions	(ii)	–	–	99	59	158
Disposals		–	–	(198)	(63)	(261)
At 31 December 2024 and 1 January 2025		365	9	530	145	1,049
On consolidation of subsidiaries	(iii)	493	2,100	41	–	2,634
Additions	(ii)	–	–	103	64	167
Disposals		–	–	(18)	(11)	(29)
Divestment of subsidiary	(iv)	(9)	–	–	–	(9)
Disposal of subsidiary	(v)	–	–	(1)	–	(1)
At 31 December 2025		849	2,109	655	198	3,811
Amortisation:						
At 1 January 2024		–	5	510	93	608
Amortisation for the year		–	–	50	43	93
Disposals		–	–	(191)	(63)	(254)
At 31 December 2024 and 1 January 2025		–	5	369	73	447
Amortisation for the year		–	–	68	45	113
Disposals		–	–	(6)	(11)	(17)
Disposal of subsidiary	(v)	–	–	(1)	–	(1)
At 31 December 2025		–	5	430	107	542
Net book value:						
At 31 December 2025		849	2,104	225	91	3,269
At 31 December 2024		365	4	161	72	602
At 1 January 2024		365	4	119	56	544

- (i) The electricity distribution network licence recognised on consolidation of subsidiaries in the year is not subject to any legal or other nature limits. Accordingly, it is an intangible asset with an indefinite useful life that is not amortised by the Group, but is assessed for indicators of impairment each year (refer to Note 5(b)).
- (ii) Included within computer software additions is £5 million (2024 £4 million) from internal development.
- (iii) Refer to Note 9A5.1.
- (iv) Refer to Note 9A5.2.
- (v) Refer to Note 9A5.3.
- (vi) The cost of fully amortised computer software still in use at 31 December 2025 was £313 million (2024 £277 million).

(b) Impairment testing of goodwill and intangible assets with an indefinite life

At least yearly, the Group conducts a systematic analysis of the impairment of CGUs that include goodwill or intangible assets in progress or with an indefinite useful life by applying the value-in-use method. Recovery of goodwill is analysed at a segmental level (unit or group of CGUs) according to the Group's management structure. The Group operates three segments, namely, Energy Networks, Renewable production and Customer business.

For the purposes of impairment testing, goodwill has been allocated to the Group's segments (unit or group of CGUs) as follows:

	Notes	2025 £m	2024 £m
Energy Networks	(i), (ii)	493	–
Renewable production	(iii), (iv)	356	365
Total		849	365

- (i) The Energy Networks segment comprises of a group of four CGUs, namely, SPD, SPM, SPT, and the ENWH Group.
- (ii) Goodwill of £493 million arose in the year on the consolidation of the ENWH Group. Refer to Note 9A5.1 for further details.
- (iii) The Renewables production segment represents a single CGU.
- (iv) Details pertaining to the £9 million disposal of goodwill in the year are provided at Note 9A5.2.

For the purposes of impairment testing, the £2,100 million licence with an indefinite useful life consolidated during the year (as shown within Note 5(a)) has been allocated to the ENWH Group CGU.

5 INTANGIBLE ASSETS – GROUP *continued*

Energy Networks impairment testing

The recoverable amounts for the Energy Networks group of CGUs and the ENWH Group CGU have been determined based on a value-in-use calculation. The main assumptions and basis for determining values assigned to the key assumptions are detailed below:

Main assumptions used for value-in-use calculation

Discount rate (pre-tax): 6.46%

Regulated revenues

Investment

Operation and maintenance costs

Terminal growth rate: 2%

Basis for determining values assigned to key assumptions

Discount rate is determined based on market data and the segmental cost of capital.

Approved revenues have been used for years in which they are available, while in subsequent periods revision mechanisms of such revenues set in different regulations have been used, and these have been applied in line with the estimated costs of the segment.

The projections were based on investment plans consistent with the expected demand growth and undertakings in each regulatory price control, with the minimums set by the regulator and an estimate of future revenues used.

The best available estimation of the performance of the operation and maintenance cost was used, which is in line with the revenues assumed to be received in each year.

Consistent with market and inflation growth forecasts.

It is considered appropriate to assess the cash flows of the CGUs over a 10-year period as electricity distribution and transmission network regulations include longer regulatory periods.

The value-in-use calculation of the Energy Networks group of CGUs exceeds the carrying amount.

In relation to the assessment of the indefinite useful life licence for impairment, the value-in-use calculation of the ENWH Group CGU exceeds the carrying amount.

The Group has also performed several sensitivity analyses of the results of the impairment tests in relation to the key assumptions to which the value-in-use calculations are most sensitive. Each sensitivity is considered a reasonably possible variation. These tests included:

- an increase of 10% in operating and maintenance costs; and
- a decrease of 10% in investment (resulting in a subsequent decrease in revenue).

After applying each sensitivity, there was significant headroom between the value-in-use calculations and the underlying book value of the assets.

Renewable production impairment testing

On 1 January 2012, as part of an Iberdrola Group restructuring exercise, the Group acquired certain renewable energy companies from another Iberdrola Group company. The transaction was deemed to be a business combination under common control and was accounted for under the pooling of interest method. The goodwill was created on the original acquisition by Iberdrola.

The recoverable amount for Renewable production has been determined based on a value-in-use calculation. The calculation uses cash flow projections which reflect past experience, and which are based upon a management approved business plan that runs to 2035. Cash flows beyond that period reflect asset estimated useful lives as well as management's forward view of prices and the business strategic objectives. It is considered appropriate to assess the cash flows over a period longer than five years as this better reflects the long-term nature of energy market operations and governance, and of wind farm development lead times. Renewable production is integral to the ScottishPower strategy to support the UK transition to net zero.

The value-in-use calculation is based on anticipated generation output over the expected lives of individual sites.

Cash inflows for all projects are based on anticipated generation output using historical trend information as well as internal technical assessment. The output is valued at forward power prices based on: observable market information where available; assumed continuing government support through ROCs, CfDs and other mechanisms; and is derived from an internal long-term price forecast which is benchmarked against external forecasts. Cash outflows are based on planned operating and capital expenditure. All cash flows used are pre-tax.

The main assumptions and basis for determining values assigned to the key assumptions are detailed below:

Main assumptions used for value-in-use calculations

Discount rate (pre-tax): offshore operational 7.71% (2024 7.16%); offshore development 8.09% (2024 7.57%); and onshore operational and development 7.34% (2024 6.74%).

Forward price of power

Energy output

Inflation rate

Basis for determining values assigned to key assumptions

Discount rate is determined on the basis of market data and the divisional cost of capital and has increased in the year due to a rise in the risk free rate.

Market quotes/internal and external forecasts

Theoretical maximum output less adjustments based on historical data (wind variability, outages and availability)

Inflation is applied to key assumptions including operating costs, ROC buyout and CfD prices. Rates are based on macro-economic forecasts which predict inflation falling to the Bank of England target rate of 2.0% in 2027.

5 INTANGIBLE ASSETS – GROUP *continued*

The value-in-use calculation of Renewable production exceeds the carrying amount.

The Group has also performed several sensitivity analyses of the impairment test result in relation to the key assumptions to which the value-in-use calculation is most sensitive. Each sensitivity is considered a reasonably possible variation. These tests included:

- a 50 basis point increase in the pre-tax discount rate. This is the equivalent of a 0.5% change in the risk-free interest rate;
- a 10% movement in the power price per MWh, only applicable to production for which no long-term sales agreements have been entered into; and
- a 5% decline in energy output (considered reasonable to assess risk from unpredicted plant availability or weather issues).

After applying each sensitivity, there was significant headroom between the value-in-use calculations and the underlying book value of the assets.

As noted above, impairment cash flows utilise market-based views of commodity price forecasts, therefore incorporating current market expectations of how net zero targets will be achieved based on existing government legislation. However, estimates are not yet fully reflective of net zero scenarios as they do not factor in any prospective, yet to be announced, legislative or market changes that would be required to meet temperature targets. Hence impairment cash flows are not based on net zero scenario forward prices.

Refer to Note 3 for further details of the Group's consideration of the impact of climate change on the cash flows used in the impairment tests.

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*

31 December 2025

6 PROPERTY, PLANT AND EQUIPMENT – GROUP

(a) Movements in Property, plant and equipment

	Notes	Property, plant and equipment in use						Property, plant and equipment in the course of construction			Total property, plant and equipment £m	
		Wind power plants £m	Transmission facilities £m	Distribution facilities £m	Meters and measuring devices £m	Other facilities £m	Other items of property, plant and equipment (Note (ii)) £m	Total £m	Plant in the course of construction £m	Other items of property, plant and equipment (Note (ii)) £m		Total £m
Cost:												
At 1 January 2024		5,930	3,888	9,474	592	376	299	20,559	2,271	30	2,301	22,860
Additions	(ii)	1	–	7	58	4	36	106	1,969	16	1,985	2,091
Reassessment decommissioning asset		5	(2)	–	–	–	–	3	–	–	–	3
Transfers from inventories	(iii)	–	–	–	–	–	–	–	51	43	94	94
Transfers from plant in the course of construction to plant in use		27	164	513	18	7	–	729	(672)	(57)	(729)	–
Disposals		(3)	(5)	(28)	(15)	(2)	(6)	(59)	(4)	(1)	(5)	(64)
Impairment	(iv)	–	–	–	–	–	–	–	(22)	–	(22)	(22)
At 31 December 2024 and 1 January 2025		5,960	4,045	9,966	653	385	329	21,338	3,593	31	3,624	24,962
On consolidation of subsidiaries	(v)	–	–	2,334	–	48	299	2,681	211	–	211	2,892
Additions	(ii)	1	–	89	49	4	43	186	2,784	11	2,795	2,981
Reassessment decommissioning asset		20	(1)	–	–	–	–	19	–	–	–	19
Transfers from inventories	(iii)	–	–	–	–	–	–	–	44	46	90	90
Transfers from plant in the course of construction to plant in use		156	239	714	14	47	15	1,185	(1,126)	(59)	(1,185)	–
Disposals		(13)	(6)	(56)	(37)	(1)	(9)	(122)	(60)	1	(59)	(181)
Impairment	(iv)	–	–	–	(1)	(4)	–	(5)	(80)	(2)	(82)	(87)
Divestment of subsidiary	(vi)	–	–	–	–	–	–	–	(1,493)	–	(1,493)	(1,493)
Disposal of subsidiary	(vii)	–	–	–	(590)	–	–	(590)	–	(13)	(13)	(603)
At 31 December 2025		6,124	4,277	13,047	88	479	677	24,692	3,873	15	3,888	28,580
Depreciation:												
At 1 January 2024		2,026	959	2,969	266	174	129	6,523	–	–	–	6,523
Depreciation for the year		240	92	198	44	25	19	618	–	–	–	618
Disposals		(2)	(4)	(28)	(6)	–	(5)	(45)	–	–	–	(45)
At 31 December 2024 and 1 January 2025		2,264	1,047	3,139	304	199	143	7,096	–	–	–	7,096
Depreciation for the year		241	96	310	17	33	35	732	–	–	–	732
Disposals		(7)	(6)	(56)	(31)	(1)	(8)	(109)	–	–	–	(109)
Disposal of subsidiary	(vii)	–	–	–	(207)	–	–	(207)	–	–	–	(207)
At 31 December 2025		2,498	1,137	3,393	83	231	170	7,512	–	–	–	7,512
Net book value:												
At 31 December 2025		3,626	3,140	9,654	5	248	507	17,180	3,873	15	3,888	21,068
At 31 December 2024		3,696	2,998	6,827	349	186	186	14,242	3,593	31	3,624	17,866
At 1 January 2024		3,904	2,929	6,505	326	202	170	14,036	2,271	30	2,301	16,337

(i) Other items of property, plant and equipment comprises land and buildings, IT equipment and other assets. Included within this category is £7 million (2024 £7 million) relating to spend on non-operational sites which are not classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

(ii) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 4.4% (2024 5.1%).

(iii) Transfers from inventories represents £90 million (2024 £94 million) of capitalised spare parts in Energy Networks.

(iv) Of the £87 million impairment charge for the year ended 31 December 2025 (2024 £22 million), £72 million related to Renewable production development projects (2024 £22 million).

(v) Refer to Note 9A5.1.

(vi) Refer to Note 9A5.2.

(vii) Refer to Note 9A5.3.

(viii) The cost of fully depreciated property, plant and equipment still in use at 31 December 2025 was £528 million (2024 £510 million).

(ix) Included within the cost of property, plant and equipment at 31 December 2025 are assets in use not subject to depreciation, being land, of £86 million (2024 £49 million).

6 PROPERTY, PLANT AND EQUIPMENT – GROUP *continued*

(b) Research and development expenditure

The amount of research and development expenditure recognised as an expense during the year was £13 million (2024 £8 million).

7 LEASING – GROUP

(a) Nature of leases where lessee

Land

The Group holds agreements to lease land (including seabed) and for the assignment of rights to use land, primarily for operational assets, (mainly wind farms), with typical lease terms running from three to 40 years. Certain leases contain the right to extend the existing lease term by up to 50 years; others can be terminated with appropriate notice, generally up to 24 months. The impact on the lease liability of the extension options for individual contracts, if taken, is not considered material.

Buildings

The Group leases buildings primarily for its office space and operational depots. The leases typically have lease terms running from four to 25 years. Certain leases have options to extend the term by up to 25 years at the end of the existing lease term; others have options to terminate subject to a notice period of up to five years or at agreed break points.

The lease for the head office building has a 25 year term ending in 2041 at which point the Group, has the right to extend the lease to 2046 (and to 2051 at 2046). It is currently not deemed reasonably certain that these extension options will be taken. However, should they be taken, the estimated movement in the lease liability would be a decrease of £2 million and an increase of £9 million respectively.

Vehicles

The Group leases vehicles with lease terms of generally between three and ten years, primarily being pool vehicles to mobilise its operational staff and other specialist vehicles. Certain leases can be extended by up to one year. Certain vehicle leases are considered short-term and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Other equipment

The Group leases operating plant and office equipment, with lease terms of up to 40 years. Certain leases have rights to extend the term by up to five years or terminate the lease giving appropriate notice which is generally up to twelve months. Certain plant and equipment leases are considered short-term and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Variable lease payments

Some of the Group's land and building leases contain variable lease payments which are based on wind farm output and building services supplied respectively. These payment terms are common for both of these types of leases. The fixed annual payments for the year were £69 million compared to variable payments of £20 million. Despite the future planned growth of Renewable production, the relative proportions of fixed and variable lease payments are not expected to be materially different in future years.

Extension options

Some leases, contain extension options exercisable by the Group (in particular of land and buildings) at the end of the non-cancellable contract period or an agreed point before that date. Where practicable, the Group seeks to include extension options in leases to provide operational flexibility. Those options held are exercisable only by the Group and not by the lessors. At lease commencement, the Group will assess whether it is reasonably certain to exercise the extension options and reassesses this if there is a significant event or change in circumstances within its control.

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2025

7 LEASING – GROUP *continued*

(b) Right-of-use assets

	Notes	Land £m	Buildings £m	Vehicles £m	Other equipment £m	Total £m
Cost:						
At 1 January 2024		485	140	64	5	694
Additions		3	11	–	–	14
Adjustment for changes in liabilities	(i)	45	3	–	–	48
Disposals		(1)	(6)	(3)	–	(10)
At 31 December 2024 and 1 January 2025		532	148	61	5	746
On consolidation of subsidiaries	(ii)	13	2	3	–	18
Additions		19	3	14	–	36
Adjustment for changes in liabilities	(i)	16	7	2	–	25
Disposals		(1)	–	(7)	–	(8)
Divestment of subsidiary	(iii)	(36)	–	–	–	(36)
At 31 December 2025		543	160	73	5	781
Depreciation:						
At 1 January 2024		82	36	41	3	162
Charge for the year		23	8	11	1	43
Disposals		(1)	(6)	(3)	–	(10)
At 31 December 2024 and 1 January 2025		104	38	49	4	195
Charge for the year		24	10	10	1	45
Disposals		–	–	(7)	–	(7)
Divestment of subsidiary	(iii)	(3)	–	–	–	(3)
At 31 December 2025		125	48	52	5	230
Net book value:						
At 31 December 2025		418	112	21	–	551
At 31 December 2024		428	110	12	1	551
At 1 January 2024		403	104	23	2	532

(i) Adjustments for changes in liabilities are movements in the right-of-use asset resulting from remeasurement of the associated lease liability to reflect changes to the lease payments due to any reassessment or lease modifications.

(ii) Refer to Note 9A5.1.

(iii) Refer to Note 9A5.2.

(iv) There are no right-of-use assets measured at revalued amounts.

(c) Lease liabilities

	2025 £m	2024 £m
Less than one year	65	60
One to five years	221	199
More than five years	641	671
Total undiscounted lease liabilities at 31 December	927	930
Finance cost	(300)	(309)
Total discounted lease liabilities	627	621
Analysis of total lease liabilities		
Non-current	580	577
Current	47	44
Total	627	621

(d) Amounts recognised in Income statement

	2025 £m	2024 £m
Interest on lease liabilities	(22)	(21)
Variable lease payments not included in the measurement of lease liabilities	(24)	(31)
Expenses relating to short-term leases	(14)	(11)

(e) Amounts recognised in the Statement of cash flows

	2025 £m	2024 £m
Payments of lease liabilities	(45)	(34)
Interest paid on lease liabilities	(24)	(20)
Payments for variable lease components	(20)	(30)
Payments for short-term leases	(13)	(10)
Total cash outflow for leases	(102)	(94)

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

8 RETIREMENT BENEFITS – GROUP

A ANALYSIS OF BALANCE

SPUK is the sponsoring employer for the Scottish Power Pension Scheme (“SPPS”) and the Manweb Group of Electricity Supply Pension Scheme (“Manweb”). ENWL is the sponsoring employer for the Electricity North West Group of Electricity Supply Pension Scheme (“ENW ESPS”). The financial position of these schemes are aggregated and reflected in the Consolidated Group results throughout Note 8.

Detailed disclosures for accounting under IAS 19, under the provisions of IFRIC 14 IAS 19 ‘The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction’ (“IFRIC 14”), are provided below.

The amounts recognised in the Consolidated statement of financial position in respect of the net retirement benefit assets/(obligations) are detailed below:

	2025 £m	2024 £m
Non-current assets	213	204
Non-current liabilities	(36)	(79)

B GROUP PENSION ARRANGEMENTS

The Group operates the following pension schemes for staff:

Scheme	SPPS	Manweb	ENW ESPS
Type of benefit	Final salary	Final salary	Final salary
New entrants	No	No	No
Funded separately from Group assets	Yes	Yes	Yes
Administration method	Trustee board	Trustee board	Trustee board
Member contributions	5% of salary	5.5% of salary	Nil to 7.5% of salary depending on the relevant member section
How Group contributions are determined	Agreement of Trustee and Group following actuarial valuation (last valuation: 31 March 2024)	Agreement of Trustee and Group following actuarial valuation (last valuation: 31 March 2024)	Agreement of Trustee and Group following actuarial valuation (last valuation: 31 March 2025)
Current actual Group contributions during year ended 31 December 2025	Nil	52.9% (January to April) 24.1% (May to December)	38.2%
Special contributions during year ended 31 December 2025	Nil	£51 million	Nil
Special contributions planned for year ending 31 December 2026	Nil	£31 million	Nil
Pension charge	Based on advice of independent qualified actuary	Based on advice of independent qualified actuary	Based on advice of independent qualified actuary

In addition to the three defined benefit schemes summarised above, the Group also operates two defined contribution plans; the Iberdrola Group (UK) Stakeholder Pension Plan and the LifeSight Master Trust. Both plans are open to new entrants. The Group pays contributions, dependant on the level of contributions paid by plan members, into individual member investment accounts administered by the relevant providers. Each member’s investment account is used to provide benefits in retirement. Once contributions are paid by the Group there is no legal or constructive obligation for the Group to pay any further contribution or benefits and as a result there is no liability on the Consolidated statement of financial position. Over 2025, the Group paid contributions of £30 million to the Iberdrola Group (UK) Stakeholder Pension Plan (2024 £25 million) and £10 million to the LifeSight Master Trust.

The age profile of each final salary scheme is expected to rise over time, due to the schemes being closed to new entrants. All else being equal, this will, in turn, result in increasing service costs for each scheme due to the actuarial valuation method used, the projected unit credit method, which IAS 19 stipulates is used to determine the present value of the defined benefit obligation and current service cost.

The Group also operates an Unfunded Unapproved Retirement Benefit Scheme (“UURBS”) for former senior executives’ benefit promises in excess of limits set by the UK taxation authorities. The UURBS has no invested assets, and the Group has paid £2 million as at 31 December 2025 (2024 £2 million) for the benefit promises which will ultimately be paid by the Group.

The 31 March 2024 triennial funding valuation exercises were completed for SPPS and Manweb over the period. In light of an improved SPPS funding position, a further temporary schedule of contributions was agreed with the SPPS Trustee in December 2024 suspending Group contributions from 1 January 2025 in respect of scheme expenses and active members’ future benefit accrual. The 31 March 2024 triennial valuation exercise was completed on 31 March 2025 which confirmed that SPPS was fully funded on its technical provisions measure and, therefore, no further deficit reduction contributions are required from the Group. The technical provisions also incorporated reserves for expenses and future benefit accrual and no further Group contributions are therefore required, provided that the scheme remains sufficiently funded (tested by the scheme actuary at six-monthly intervals).

For Manweb, the triennial funding valuation exercise was completed on 30 April 2025 which confirmed a small funding deficit on its technical provisions measure. The Group and Manweb Trustee agreed to maintain annual deficit reduction contributions at existing levels until 31 March 2028, but with a mechanism to turn off contributions early should the scheme reach full funding over the interim period (tested by the scheme actuary at six-monthly intervals). The contributions in respect of future benefit accrual reduced significantly from previous levels (from 52.9% to 24.1% of pensionable salaries) due to changes in market conditions. The technical provisions also incorporated a reserve for expenses meaning no further Group contributions are required to meet the scheme’s running costs.

SCOTTISH POWER LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2025

8 RETIREMENT BENEFITS – GROUP *continued*

For ENW ESPS, the 31 March 2025 triennial funding valuation was completed on 31 March 2026 which confirmed a surplus of £54 million on the scheme's technical provisions measure meaning no deficit contributions are required from the Group for this scheme. In addition, an element of the surplus will be used to meet the Group's costs for future service benefits and scheme administration expenses. Therefore, no contributions have been required from the Group to the ENW ESPS with effect from April 2026. This position will be subject to review at future triennial funding valuations.

Virgin Media Case

In June 2023, in the case of Virgin Media Limited vs NTL Pension Trustee II Limited, the Trustee raised a case to challenge whether an amendment to the pension scheme rules was invalid due to a lack of actuarial confirmation required by law for contracted-out defined benefit pension schemes (under Section 37 of the Pensions Scheme Act 1993). The High Court ruled in favour of the Trustee with respect to this matter. This ruling was appealed at the Court of Appeal on 25 July 2024, however, the appeal was dismissed. Therefore, as the law stood at that time, a plan amendment to a contracted-out scheme carried out between April 1997 and April 2016 without appropriate actuarial confirmation could be deemed void.

During 2024, the Group instructed the SPPS and Manweb Trustee boards and their respective legal advisers to conduct an initial review of past changes to the respective trust deed and rules (between April 1997 and April 2016) and the historical actuarial and legal advice provided at the time, to identify whether any amendments fall in-scope and whether valid Section 37 confirmations were provided by the schemes' actuary. The Trustee of each scheme has shared (on a non-reliance basis) a summary of high-level initial findings from the legal reviews conducted which indicated that further reviews are required to confirm if certain amendments are in scope of Section 37 and identify the relevant Section 37 notice.

The Group reviewed the initial advice, with support from its own independent advisers, ahead of the 2024 year end and concluded, at that time that the initial reviews lacked sufficient depth of detail to enable the Group to quantify any associated financial impact within the defined benefit obligation.

Separately, the Group sought legal advice to ascertain the impact of the Virgin Media ruling for ENW ESPS. The legal review concluded that there was no evidence suggesting the ruling would have any impact on ENW ESPS. The legal advice was shared with the ENW Trustee's legal adviser who did not disagree with the conclusions or believe there was a freestanding obligation on the ENW ESPS Trustee to investigate the issue further. Nevertheless, the legal position is untested and continues to evolve, so it is not possible to rule out the risk of challenge.

Since the outcome of the Court of Appeal judgement was announced, a pensions industry working group opened dialogue with the UK Government to find a solution to the difficulties created for many pension schemes by the judgement. The Pensions Minister issued a statement on 5 June 2025 confirming that the UK Government would legislate to enable pension schemes to retrospectively obtain actuarial confirmation that past amendments to scheme rules met the necessary contracting-out requirements. The UK Government subsequently issued the corresponding draft clauses to amend the Pension Schemes Bill in September 2025. This legislation has recently been finalised with the Pension Schemes Bill receiving Royal Assent on 29 April 2026. Guidance to support actuaries with how the retrospective confirmation process should be approached was issued in January 2026. And in March 2026, the Pension Regulator published guidance for scheme trustees on potential remediation of past alterations. In addition, there is no proposed statutory deadline before which past in-scope plan amendments must be validated.

The Trustees' boards had been waiting until the legislation was finalised and in force, but can now start considering the appropriate further steps to deal with this issue. Given that the legislation has only recently been finalised, and the fact that no further legal reviews have been carried out during 2025, it remains the case that quantification of the financial impact of the judgement has not been assessed for the purpose of the 31 December 2025 defined benefit obligation.

C GROUP PENSION SCHEME GOVERNANCE

As described in the table on page 89, the Group operates three defined benefit pension schemes. Active members continue to accrue benefits in the schemes, which are based on final pensionable salary. All three schemes are closed to new entrants.

The schemes are approved by HMRC and subject to standard UK pensions and tax law. The defined benefit schemes are subject to the scheme funding requirements as set out in Section 224 of the Pensions Act 2004. In accordance with the scheme funding requirements, an actuarial funding valuation is carried out at least triennially to determine the appropriate level of ongoing contributions for both future service and a recovery plan in respect of any deficit at the valuation date. These actuarial valuations will be based on assumptions agreed between the Trustees and the Group. The assumptions used to calculate liabilities (or technical provisions) in a triennial funding valuation may differ from those used when accounting under IAS 19. The Trustees are required to set assumptions prudently, whereas IAS 19 assumptions are set with regard to the Group's best estimates. Additionally, the discount rate used to value technical provisions in a triennial valuation will take into account the scheme investment strategy, rather than being based on the yield on AA corporate bonds as required under IAS 19. The most recent completed actuarial valuations for SPPS and Manweb were as at the effective date of 31 March 2024. For ENW ESPS, the most recent completed actuarial valuation was as at 31 March 2025.

In accordance with UK trust and pensions law, the defined benefit pension schemes are governed by their respective Board of Trustees. Although the Group meets the financial cost of running the schemes (either directly or indirectly), the Trustees are responsible for the management and governance of the schemes, and have a duty to act in the best interests of the members.

The strategic management of the assets is the responsibility of the Trustees acting on expert advice. The Trustees take advice from the schemes' actuaries and investment advisers with a view to investing the schemes' assets in a manner that is appropriate to the nature and duration of the expected future retirement and death benefits payable from the schemes (either directly and indirectly). In consultation with the Group, each respective Trustee has set out target investment strategies for the schemes which are broadly equivalent to 65% matching and 35% growth assets.

In terms of the matching portfolio, the schemes utilise a Liability Driven Investment ("LDI") strategy. The aim of the LDI portfolio is to invest in a range of assets (mostly bonds) which broadly match the expected future benefit payments from the schemes. In addition, the Trustee of SPPS and the Trustee of Manweb implemented longevity swaps in December 2014 and July 2016 respectively. Further details are set out in the 'Mortality risk' section overleaf. The Trustee of ENW ESPS implemented a pensioner buy-in in October 2019. Further details are set out in the ENW ESPS 'Pensioner buy-in' section overleaf.

SCOTTISH POWER LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2025

8 RETIREMENT BENEFITS – GROUP *continued*

D RISK MANAGEMENT

The defined benefit schemes expose the Group to actuarial risks and details of the specific risks and how they are managed are described below.

D1 ENW ESPS PENSIONER BUY-IN

In October 2019, the Trustee of ENW ESPS implemented a pensioner buy-in in respect of around 80% of the scheme's pensioner liabilities at that date.

The pensioner buy-in is an insurance contract between ENW ESPS and the counterparty insurer. The contract pays out a regular income to the scheme which matches the benefits insured for the in-scope pensioner members. The scheme uses the proceeds to subsequently meet the associated cost of the relevant benefit payments to the in-scope pensioner members.

The pensioner buy-in is estimated to cover 47% of the ENW ESPS defined benefit obligation at 31 December 2025.

D2 INVESTMENT (MARKET) RISK

There is a risk relating to changes in the value of the portfolio due to movements in the market value of the assets. To the extent that there is a mismatch between the investment strategy and the overall level and profile of the liabilities, this can lead to volatility in the funding level, and as the portfolio matures there is a risk of not being able to reinvest assets at the assumed rates. The SPPS and Manweb Trustees utilise an LDI strategy which aims to invest approximately 65% of the assets in matching LDIs such as bonds, which broadly match the nature and profile of the future expected benefit payments from the schemes. The ENW ESPS Trustee utilises an LDI strategy in combination with the pensioner buy-in to achieve approximately 65% matching.

The underlying LDI strategy utilises investment in fixed-interest and index-linked government securities, cash, and derivative instruments such as interest and inflation rate swaps. The objective of the LDI strategy is to manage the schemes' interest and inflation rate exposure relative to the interest and inflation rate exposure of the liability cash flows. Hence, the strategy provides a hedge against changes in scheme liabilities resulting from interest and inflation rate movements (refer to further detail below). LDI assets are valued in accordance with fair value principles. For instance, valuations will be based on quoted prices where available (e.g. fixed-interest securities) and pricing models using observable market inputs (e.g. in relation to swaps and other derivative instruments). The Trustees have diversified the market risk in the growth portfolio across multiple asset types, such as property, private and mezzanine debt, asset backed securities and infrastructure equity. As with LDI, growth assets are valued based on quoted prices where available (e.g. quoted equities and corporate bonds). Where investments do not have a market quotable price available, such as level 3 assets, the fair values are derived in accordance with IFRS 13 and provided by the fund manager. Through diversification, the specific risk associated with individual investments is mostly mitigated and expected volatility of returns is reduced. In addition, the Trustees review the investment strategies on a regular basis to ensure that it remains appropriate and in particular in response to legislative changes, a material change in the schemes' funding levels or changes in the attitude to risk of the Trustees or Group.

Each of the pension schemes is invested in an appropriately diversified range of assets. The broad proportion of each asset class in which the schemes aim to be invested are as shown in the table below, however, it is important to note that this may vary from time to time as markets change and cash may be held for strategic reasons. Additional information on the schemes' investment strategies, including ESG considerations, can be found in each of the Statement of investment principles at SPPS: [v4.aptiaoneview.co.uk/SPPS/education-centre/6667](https://www.aptiaoneview.co.uk/SPPS/education-centre/6667), Manweb: [v4.aptiaoneview.co.uk/MANWEB/education-centre/6680](https://www.aptiaoneview.co.uk/MANWEB/education-centre/6680) and ENW ESPS: <https://www.enwpensions.co.uk/db-members/scheme-documents>.

	2025	2024
LDI	56%	66%
Pensioner buy-in	9%	n/a
Property	8%	8%
Mezzanine/private debt	23%	26%
Other growth	4%	n/a
	100%	100%

D3 MORTALITY RISK

The assumptions adopted by the Group make allowance for future improvements in life expectancy. There is a risk that life expectancy improves faster than assumed and that benefits are paid for longer than expected, thereby increasing the cost of the schemes. The Group and the Trustees regularly review the actual scheme mortality experience to minimise the risk of using an inappropriate assumption. In general, the Trustees will also use prudent assumptions when deriving the triennial actuarial valuation basis used for funding requirements.

In December 2014 and July 2016, the Trustees of SPPS and Manweb (respectively) implemented a longevity swap in respect of the current pensioners at that time. The swap removes the previously unhedged longevity risk for the pensioners (and their contingent spouses) by hedging the risk of members covered by the contract living longer than expected (who constitute approximately 40% and 60% of the total liability of the SPPS and Manweb schemes respectively). The swaps are an insurance contract between both SPPS and Manweb and the counterparty insurer. Counterparty risk is mitigated by both SPPS and Manweb and the counterparty posting collateral to the other party on a daily basis to account for market movements in the value of the derivatives held.

ENW ESPS's pensioner buy-in also hedges mortality risk associated with the members covered by the contract living longer than expected. The pensioner buy-in is estimated to cover 47% of the ENW ESPS defined benefit obligation at 31 December 2025.

D4 CURRENCY RISK

The SPPS and Manweb Trustees have appointed Insight to manage the currency hedging mandates. Through the use of currency forwards, approximately 80% of the currency exposure inherent in the euro-denominated private debt instruments, and US dollar-denominated mezzanine and private debt instruments is hedged. The ENW ESPS Trustee does not have a currency hedging mandate. It's currency exposure is in euro-denominated real estate instruments and US dollar-denominated debt and infrastructure equity instruments.

SCOTTISH POWER LIMITED
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 31 December 2025

8 RETIREMENT BENEFITS – GROUP *continued*

D5 INTEREST RATE RISK

A fall in the yield on government bonds increases both the liabilities and assets of the schemes. To the extent that the assets do not fully match the nature and duration of the liabilities, this could lead to a worsening in the funding position of the schemes. The SPPS and Manweb Trustees currently target approximately 65% of the schemes' investments in LDI which include matching assets such as fixed-interest bonds. The ENW ESPS Trustee currently targets approximately 30% of uninsured investments in LDI. The interest rate hedging strategy adopted within the LDI portfolio provides partial protection against the impact of changes in yields. The current target is for 98% (SPPS), 101% (Manweb) and 90% (ENW ESPS) of interest rate risk to be hedged on a technical provisions basis (excluding insured liabilities). Under the de-risking framework agreed between the Group and the Trustees, the level of interest rate hedging will be increased when market conditions are deemed favourable. As the level of hedging increases, funding level volatility will be further reduced.

D6 INFLATION RATE RISK

The majority of the schemes' liabilities increase in line with inflation, subject to relevant caps and collars. To the extent that inflation is higher than expected, this will increase the liabilities of the schemes. The SPPS and Manweb Trustees currently target approximately 65% of the schemes' investments in LDI which include matching assets such as index-linked bonds. The ENW ESPS Trustee currently targets approximately 30% of uninsured investments in LDI. The inflation hedging strategy adopted within the LDI portfolios provides partial protection against the impact of changes in inflation. The current target is for 96% (SPPS), 100% (Manweb) and 90% (ENW ESPS) of inflation risk to be hedged on a technical provisions basis (excluding insured liabilities). Under the de-risking framework agreed between the Group and the Trustees, the level of inflation-rate hedging will be increased when market conditions are deemed favourable. As the level of hedging increases, funding level volatility will be further reduced.

D7 MANWEB AND SPPS CREDIT FACILITIES

The Group provides separate revolving credit facilities to Manweb and SPPS (implemented in 2023 and 2024 respectively). These facilities are for the purpose of ensuring that the schemes have sufficient short-term liquidity under a future stress scenario. For example, a significant collateral call in relation to the schemes' derivative hedging of inflation and interest rates caused by a sharp rise in gilt yields, such as that seen during the September 2022 'LDI crisis' in the UK. The Manweb facility allows for a maximum loan of £80 million and is in place until 31 December 2026 and the SPPS facility allowed for a maximum loan of £76.5 million and was in place until 30 June 2025 being the dates the schemes are/were expected to have sufficient liquidity under a stressed scenario due to the maturity profile of the schemes' illiquid assets, meaning the revolving credit facilities would no longer be required.

Manweb has had sufficient liquidity to meet current cash flow requirements and accordingly no drawdowns from the facilities have been made to date, nor are any drawdowns expected in the immediate future. Similarly, SPPS had sufficient liquidity over the duration of the facility up until its cessation on 30 June 2025 and therefore no drawdowns were made. As no drawdowns have been/were made for either scheme, there is/has been no accounting impact for the Group.

E ACTUARIAL ASSUMPTIONS

E1 PENSION SCHEMES ASSUMPTIONS

The assumptions used by the independent actuary for the pension arrangements, for each scheme, were developed by management with the assistance of the independent actuary.

(a) The table below details the assumptions used by the independent actuary for the pension scheme arrangements and are expressed as weighted averages:

	Notes	2025		2024
		SPPS and Manweb	ENW ESPS	SPPS and Manweb
Rate of increase in salaries	(i)	3.0% p.a.*	3.8% p.a.	3.2% p.a.
Rate of increase in deferred pensions (RPI capped at 5% p.a.)	(ii)	3.0% p.a.	3.0% p.a.	3.2% p.a.
Rate of increase to pensions in payment (RPI capped at 5% p.a.)		2.9% p.a.	2.8% p.a.	3.1% p.a.
Discount rate		5.4% p.a.	5.3% p.a.	5.1% p.a.
Inflation assumption – RPI*		3.0% p.a.	3.0% p.a.	3.2% p.a.
Inflation assumption – CPI		2.6% p.a.	2.6% p.a.	2.7% p.a.

* RPI – Retail Price Index; p.a. – per annum

(i) For members of the former ScottishPower Final Salary Life Plan ("FSLP") section of the SPPS scheme, the 2025 salary assumption is 3.2% p.a. (2024 3.4% p.a.). For members of ENW ESPS, the headline assumption of 3.8% p.a. noted above is for 2026 and then reverts to 2.7% thereafter.

(ii) For members of the FSLP section of the SPPS scheme, deferred pensions are increased with reference to statutory revaluation.

Most benefits in the schemes increase in deferment or in retirement, with the rate and index of increase determined by when the benefit was accrued by the member and in which section. As stated in the scheme rules, the vast majority of benefits increase in line with RPI inflation subject to various floors and caps. A very small proportion of benefits, namely guaranteed minimum pension benefits accrued between April 1988 and April 1997, increase in retirement in line with CPI inflation with a 0% floor and a 3% cap applied on an annual basis.

(b) The weighted average life expectancies for mortality used to determine the benefit obligations were as follows:

	SPPS				Manweb				ENW ESPS	
	2025		2024		2025		2024		2025	
	Male Years	Female Years	Male Years	Female Years	Male Years	Female Years	Male Years	Female Years	Male Years	Female Years
At 31 December										
Member age 63 (current life expectancy)	23.3	25.0	22.7	24.7	23.5	25.8	22.9	25.5	22.5	25.2
Member age 45 (life expectancy at age 63)	24.3	26.8	23.9	26.6	24.7	27.4	24.2	27.2	23.9	26.3

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 31 December 2025

8 RETIREMENT BENEFITS – GROUP *continued*

(c) The post-retirement mortality assumptions are as follows:

	2025			2024	
Base tables	SPPS 111%/108% S4PMA 111%/118% S4PFA (non-pensioner/pensioner)	Manweb 106%/106% S4PMA 102%/106% S4PFA (non-pensioner/pensioner)	ENW ESPS 104%/106% S4PMA_M 108%/105% S4PFA_M (non-pensioner/pensioner)	SPPS 111%/108% S4PMA 111%/118% S4PFA (non-pensioner/pensioner)	Manweb 106%/106% S4PMA 102%/106% S4PFA (non-pensioner/pensioner)
Allowance for future improvements	CMI* 2024 with a 7.0 smoothing parameter, 0.25% initial addition parameter, a half-life parameter of 0.75 and a 1.25% long term improvement rate	CMI* 2024 with a 7.0 smoothing parameter, 0.25% initial addition parameter, a half-life parameter of 0.75 and a 1.25% long term improvement rate	CMI* 2024 with a 7.0 smoothing parameter, 0.25% initial addition parameter, a half-life parameter of 0.75 and a 1.25% long term improvement rate	CMI* 2023 with a 7.0 smoothing parameter, 0.25% initial addition parameter 20% w2022 and w2023 parameters and a 1.25% long-term improvement rate	CMI* 2023 with a 7.0 smoothing parameter, 0.25% initial addition parameter 20% w2022 and w2023 parameters and a 1.25% long-term improvement rate

* CMI – Continuous Mortality Investigation

The post retirement mortality assumptions have been set as follows:

- Base tables: consistent with best estimate from analysis conducted by each scheme's respective actuary for the purpose of the latest triennial funding valuations (31 March 2024 valuations for SPPS and Manweb and 31 March 2025 valuation for ENW ESPS). In each case the standard actuarial mortality tables, as published by the CMI (SP4MA, SP4FA, S4PMA_M, S4PFA_M) are adjusted to reflect the scheme specific analysis carried out on each scheme's mortality experience.
- Future mortality improvements: review the latest CMI model and consider if any new parameters have been introduced or changes made to core parameters and carry out an analysis to ensure that these are set to be appropriate for the schemes' population.

The above reviews have led to the adoption of the latest 2024 CMI future improvements model. The latest version of the model made a fundamental change to its approach to modelling the impact of Covid-19 excess deaths. The prior model used 'w' parameters to specify weightings to place on observed annual excess deaths during the pandemic when projecting future mortality improvements. The 2024 model places full weighting on observed data from all years during the pandemic and instead attributes the overall mortality rate between Covid-19 related deaths and all other non-Covid-19 related deaths. The Covid-19 related deaths are projected to diminish over time through a new 'half-life' parameter with non-Covid-19 related mortality trends assumed to persist into the future.

E2 IMPACT OF CHANGING MATERIAL ASSUMPTIONS ON THE DEFINED BENEFIT OBLIGATIONS

The sensitivity analysis below has been calculated by varying the critical actuarial assumption whilst keeping all other assumptions constant. Liabilities are calculated using the same method and membership data as that used to derive the defined benefit obligation. As well as impacting on salary growth, a change in inflation also impacts on other inflation-linked assumptions such as increases to deferred pensions and pensions in payment. This sensitivity applies to the defined benefit obligations only, and not to the net defined benefit pension asset/liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of scheme assets. There has been no change to the method year-on-year to assess the sensitivity of the results to changes in the critical actuarial assumptions.

Possible changes as at 31 December to one of the actuarial assumptions would have affected the defined benefit obligations as noted below.

Impact of changing material assumption	Increase/(decrease) in defined benefit obligations					
	£m	2025 £m	£m	£m	2024 £m	£m
Rate of increase/decrease in inflation	0.5%	0.25%	0.1%	0.5%	0.25%	0.1%
Increase by	169	84	34	146	74	30
Decrease by	(159)	(81)	(31)	(138)	(69)	(27)
Rate of increase/decrease in discount rate	0.5%	0.25%	0.1%	0.5%	0.25%	0.1%
Increase by	(215)	(110)	(44)	(182)	(93)	(38)
Decrease by	239	116	45	203	99	39
Assumed life expectancy						
Increase mortality by one additional year			135			109

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

8 RETIREMENT BENEFITS – GROUP *continued*

E3 ANALYSIS OF SCHEME ASSETS

E3.1 FAIR VALUE OF PLAN ASSETS

The following table provides information on the composition and fair value of plan assets of the schemes.

Notes	2025					2024				
	SPPS £m	Manweb £m	ENW ESPS £m	Total £m	Plan asset allocation %	SPPS £m	Manweb £m	Total £m	Plan asset allocation %	
LDI instrument (a)	1,107	296	115	1,518	38.6%	1,072	251	1,323	42.2%	
Property	228	86	51	365	9.3%	223	84	307	9.8%	
Cash	43	17	8	68	1.7%	108	37	145	4.6%	
Mezzanine/private debt	772	224	104	1,100	27.9%	839	241	1,080	34.4%	
Longevity swap fair value	(212)	(100)	–	(312)	(7.9)%	(217)	(103)	(320)	(10.2)%	
Longevity swap collateral (b)	404	225	–	629	16.0%	384	218	602	19.2%	
Bonds	–	–	54	54	1.4%	–	–	–	–	
Other growth	–	–	134	134	3.4%	–	–	–	–	
Pensioner buy-in	–	–	378	378	9.6%	–	–	–	–	
Fair value of scheme assets	2,342	748	844	3,934	100%	2,409	728	3,137	100%	

(a) At 31 December 2025, LDI instruments include £15 million of cash for SPPS, £5 million of cash for Manweb and £nil of cash for ENW ESPS. The remaining assets within each schemes' liability driven investment allocations include fixed and index-linked government bonds as well as interest rate and inflation swap contracts. None of these investments are categorised as level 3 assets (refer to E3.2 below).

(b) Longevity swap collateral is held in gilts and cash.

SPPS and Manweb investment strategies are similar and there is no significant difference in risk profiles due to either geography or industry type. The ENW ESPS investment strategy invests in similar assets to SPPS and Manweb but in slightly different proportions, most notably because of a significant proportion of the scheme assets held in the pensioner buy-in. The schemes' assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. None of the schemes held ScottishPower or Iberdrola shares in 2025 or 2024.

As at 31 December 2025, £210 million of the plan assets (2024 none) have quoted prices in active markets. Markets are considered active if transactions for the asset take place with sufficient frequency and volume to provide pricing information at the measurement date and on an ongoing basis. The remaining plan assets do not have quoted prices in active markets. Of these plan assets, £1,624 million (2024 £1,067 million) are level 3 assets, which are discussed below.

E3.2 VALUATION OF LEVEL 3 PLAN ASSETS

Level 3 assets are investments where a market quotable price is not available. The fair values of these assets are derived in accordance with IFRS 13 and provided by the relevant fund manager. As noted below, year end valuations for some level 3 assets may be estimated and are significant accounting estimates. Final audited year end valuations for these assets are typically not available until several months after the year end. As part of the controls carried out on these assets, a retrospective review is carried out on an annual basis for the purposes of these accounts and where material valuation differences are identified (if any), these are updated.

(a) Property

For SPPS and Manweb, independent market valuations of the direct property investments as at 31 December 2025 are provided by Knight Frank with reference to comparable market transactions. Key assumptions for property valuations are market rents and yields. Accordingly, the direct property valuations are not reported as being subject to 'material valuation uncertainty'. The fair value of the indirect property assets is based on the most recent available fund valuation at 31 December 2025.

For ENW ESPS, the scheme does not have any direct property investments. The fair value of the indirect property assets is based on the most recent available fund valuations from the respective manager, either 30 September 2025 or 31 December 2025, adjusted where relevant for cash flows to year end.

(b) Mezzanine/private debt

Fair values are based on the most recently available quarterly valuations (30 September 2025) adjusted where relevant for cash flows to year end. Various different valuation methods are utilised by the mezzanine/private debt managers as appropriate for the underlying investment including discounted cash flows, enterprise value, cost plus accrued interest and external pricing. For instance, where internal cash flow modelling has been performed, significant assumptions will include discount rate and, expected cash flows. No material adjustments to the relevant quarterly valuations have been noted by the fund managers.

(c) SPPS and Manweb longevity swaps

During 2025, an independent assessment of the fair values of the swaps was carried out on behalf of the SPPS and Manweb Trustees by the actuary for the schemes for the purposes of updating the reported values in the scheme accounts as at 31 March 2025. Following a review by the Group of this valuation methodology, it was determined that this methodology, and consequently the fair values reported at 31 March 2025, were suitable for reporting under IAS 19 in accordance with IFRS 13. The fair value assessment carried out by the independent actuary allows for the difference between the present value of the known cash flows under the original fixed leg of the swap using longevity assumptions agreed at inception and the present value of the projected cash flows under the floating leg. The projections underlying the floating leg of the swap allow for the schemes' actual mortality experience since inception, more up to date data on current swap population and, more up to date industry expectations of future longevity experience and an allowance for the fees the Group expects the market to charge at the current time.

Therefore, for the purposes of the 31 December 2025 valuation, the Group has revised the 31 March 2025 fair value in line with this figure and adjusted to the year end in line with movements in the value of the fixed and floating legs of the swaps as calculated under the existing collateral model

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8 RETIREMENT BENEFITS – GROUP *continued*

valuations due to changes in financial assumptions and the estimated impact of actual versus assumed scheme mortality experience. Hence the valuation takes into consideration current market conditions at the reporting date. This valuation approach is consistent with the methodology adopted for the 2024 year end.

As at 31 December 2025, the fair values of the longevity swap liabilities for SPPS and Manweb were £(212) million (2024 £(217) million) and £(100) million (2024 £(103) million) respectively.

(d) ENW ESPS pensioner buy-in

For 31 December 2025, to determine a fair value of the pensioner buy-in, a full member by member valuation exercise was carried out on the benefits insured under the insurance contract. The valuation of in-scope member benefits under the pensioner buy-in followed a consistent approach to the wider valuation exercise to determine the ENW ESPS defined benefit obligation at 31 December 2025.

As at 31 December 2025, the fair value of the pensioner buy-in was £378 million.

(e) Other growth

Other growth assets include infrastructure equity and asset backed securities allocations. The fair value of the infrastructure equity fund is based on the most recently available quarterly valuations (30 September 2025) adjusted where relevant for cash flows to year end. The fair value of the asset backed securities fund is based on a 31 December 2025 fund valuation. No material adjustments to the relevant quarterly valuations have been noted by the fund managers.

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NOTES TO THE ACCOUNTS *continued*

31 December 2025

8 RETIREMENT BENEFITS – GROUP *continued*

F MOVEMENTS IN THE DEFINED BENEFIT OBLIGATIONS AND SCHEME ASSETS DURING THE YEAR

(a) Movements in the present value of the defined benefit obligations and scheme assets are as follows:

	Notes	2025			2024		
		Defined benefit obligations £m	Scheme assets £m	Total £m	Defined benefit obligations £m	Scheme assets £m	Total £m
At 1 January		(3,012)	3,137	125	(3,237)	3,361	124
On consolidation of subsidiaries	(i)	(811)	854	43	–	–	–
Items recognised in the Consolidated income statement							
Current service cost		(23)	–	(23)	(22)	–	(22)
Past service cost	(ii)	(1)	–	(1)	29	–	29
Interest (expense)/income	(iii)	(182)	193	11	(137)	147	10
Administration expenses		–	(8)	(8)	–	(7)	(7)
		(206)	185	(21)	(130)	140	10
Items recognised in the Consolidated statement of comprehensive income							
Actuarial losses arising from changes in demographic assumptions		(45)	–	(45)	(20)	–	(20)
Actuarial gains arising from changes in financial assumptions		183	–	183	254	–	254
Actuarial losses arising from changes of the scheme experience different to that assumed		(93)	–	(93)	(43)	–	(43)
Return on assets relative to interest income	(iii)	–	(79)	(79)	–	(305)	(305)
		45	(79)	(34)	191	(305)	(114)
Other movements							
Employer contributions		–	64	64	–	105	105
Benefits paid		232	(232)	–	169	(169)	–
Scheme members' contributions		(5)	5	–	(5)	5	–
		227	(163)	64	164	(59)	105
At 31 December		(3,757)	3,934	177	(3,012)	3,137	125

(i) Refer to Note 9A5.1.

(ii) The past service credit at 31 December 2024 of £29 million reflected the reduction in the defined benefit obligation arising from the change in constructive obligation from full RPI to RPI capped at 5% for pension increases (plan amendment under IAS 19). In addition, current service cost and interest (expense)/income were remeasured from the date of the plan amendment (28 March 2024) to 31 December 2024.

(iii) The actual gain on scheme assets amounted to £114 million. As noted previously, the schemes' assets are largely hedged against movements in interest rates and inflation. The increase in bond yields and decrease in inflation expectations over the period acts to decrease the value of the plan assets. But this is offset by the performance of growth seeking assets.

(b) Analysis of the defined benefit obligations and scheme assets at 31 December:

	2025			2024		
	Defined benefit obligations £m	Scheme assets £m	Total £m	Defined benefit obligations £m	Scheme assets £m	Total £m
Present value of funded obligations/fair value of scheme assets	(3,755)	3,934	179	(3,010)	3,137	127
Present value of unfunded obligations	(2)	–	(2)	(2)	–	(2)
Total net asset	(3,757)	3,934	177	(3,012)	3,137	125

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 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

8 RETIREMENT BENEFITS – GROUP *continued*

(c) The net asset/(liability) at 31 December is analysed by scheme as follows:

	2025 £m	2024 £m
Included on the Statement of financial position as non-current assets		
SPPS	174	204
ENW ESPS	39	–
Included on the Statement of financial position as non-current liabilities		
Manweb and UURBS	(36)	(79)
Total net asset	177	125

G ADDITIONAL INFORMATION

G1 FUTURE CONTRIBUTIONS

The Group expects to contribute £38 million to the pension schemes in the year to 31 December 2026. This reflects ongoing contributions for future benefit accrual for Manweb and ENW ESPS (with allowance for those contributions for ENW ESPS to cease from April 2026 following the outcome of the 31 March 2025 triennial funding valuation). This figure also reflects deficit reduction contributions expected to be paid to the Manweb scheme during the year.

G2 MATURITY PROFILE OF THE DEFINED BENEFIT OBLIGATIONS

The following table provides expected undiscounted future cash flow projections for the pension schemes based on current member data. These cash flows reflect expected benefit payment amounts based on the underlying demographic assumptions adopted at 31 December 2025. Cash flows are expected to peak in 2035 across the three schemes with benefit payments extending to approximately 2085 across all schemes.

Year	Expected future cash flows (£m)				
	2026	2027	2028	2029	2030
SPPS	125	122	123	126	129
Manweb	52	49	52	53	55
ENW ESPS	65	57	54	55	56

Liabilities have been calculated as at 31 December 2025 based on membership data provided as at 30 April 2025.

G3 ANALYSIS OF THE DEFINED BENEFIT OBLIGATIONS BY MEMBER STATUS

At 31 December	2025			2024	
	SPPS %	Manweb %	ENW ESPS %	SPPS %	Manweb %
Active members	23	19	25	23	19
Deferred members	14	8	6	15	8
Pensioners	63	73	69	62	73

The weighted average duration of the defined benefit obligations as at 31 December	13.0 years	11.5 years	11.5 years	13.5 years	12.0 years
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G4 MINIMUM FUNDING REQUIREMENT

Under the rules of each scheme, the Trustees cannot unilaterally wind-up the schemes and the Group would be able to assume gradual settlement of the liabilities over time until all members have left. Having then triggered a wind-up, any remaining surplus would revert to the Group. Furthermore, the power to amend the rules of each scheme lies with the Group, and the Trustees cannot unilaterally improve benefits under the schemes. Therefore, the Group has an unconditional right to a refund under IFRIC 14 and thus there is no requirement to restrict any IAS 19 surplus, should it arise, nor to recognise any additional liabilities in respect of minimum funding requirements.

9 GROUP INFORMATION

A CONSOLIDATED INTERESTS

Detailed information about the Group's subsidiaries, joint arrangements and associates (together its "Consolidated interests") is set out at Appendix 1. Details of changes in the consolidated interests of the Group which have taken place in the year ended 31 December 2025 are provided at Note 9A5. These changes comprise:

- on 20 March 2025, the consolidation of the ENWH Group following CMA clearance of the acquisition; the ENWH Group had previously been accounted for as an associate from 22 October 2024 to 20 March 2025 (refer to Note 3A);
- on 23 July 2025, the divestment of 50% of the Group's shareholding in East Anglia Three Holdings Limited ("EA3HL") such that EA3HL and its wholly-owned subsidiary, East Anglia Three Limited ("EA3L") who, together, form the East Anglia Three Holdings Limited Group ("EA3H Group"), are both now joint ventures of the Group;
- on 9 September 2025, the disposal of the Group's entire 100% shareholding in SPSMAL;
- on 4 November 2025, the acquisition of the remaining 50% of the ordinary shares in MWL such that it is now a wholly-owned subsidiary of the Group having previously been a joint operation; and
- also on 4 November 2025, the disposal of the Group's 50% shareholding in CWL, previously a joint operation of the Group.

A1 SUBSIDIARIES

All subsidiaries listed in Appendix 1 are included in the Group consolidation.

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
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9 GROUP INFORMATION *continued*

A1.1 SIGNIFICANT RESTRICTIONS IN RESPECT OF SUBSIDIARIES

As is typical for a group of its size and scope, there are restrictions on the ability of ScottishPower to obtain distributions of capital, access the assets or repay the liabilities of members of its group due to the statutory, regulatory and contractual requirements of its subsidiaries, and due to the protective rights of non-controlling interests. After consideration of these factors, the resulting significant restrictions have been identified.

SPD, SPM and ENWL are regulated DNOs and SPT is a regulated TNO. The activities of these entities are governed by licences granted by Ofgem. For such licenced entities, the main drivers facilitating the value of distributable reserves, including dividends, are holding an investment-grade credit rating and compliance with several other licence conditions. The total value of distributable reserves is restricted by the requirement to comply with several licence conditions including holding an investment-grade credit rating. In addition, Standard Condition 26 of the distribution licence conditions for SPD, SPM and ENWL and Standard Condition B3 of the transmission licence conditions for SPT, restrict the disposal of property, plant and equipment. The Group has policies and procedures in place to adhere to the licence conditions and restrictions arising from them.

Value Restricted	2025 £m	2024 £m
Distributable reserves		
- SPD	584	558
- SPM	556	461
- ENWL*	966	–
- SPT	716	664
Property, plant and equipment		
- SPD	3,878	3,580
- SPM	3,976	3,700
- ENWL*	4,164	–
- SPT	4,889	4,168

* Values for ENWL have only been presented for 2025 as they were not a subsidiary of the Group in 2024.

A2 NON-CONTROLLING INTERESTS

A2.1 MOVEMENTS IN NON-CONTROLLING INTERESTS

The table below presents the movements in the carrying value of non-controlling interests in the current and prior year. The non-controlling interests in the ENWH Group and EA1L are considered material to the Group. All other non-controlling interests are deemed immaterial in aggregate to the Group.

	Note	ENWH Group £m	EA1L £m	Other £m	Total £m
At 1 January 2024		–	684	2	686
Net profit for the year		–	60	1	61
Dividends		–	(120)	(1)	(121)
At 31 December 2024 and 1 January 2025		–	624	2	626
On consolidation of subsidiaries	(a)	311	–	–	311
Net profit for the period/year		17	95	–	112
Changes in other comprehensive income		(1)	(1)	–	(2)
Dividends		(4)	(116)	(1)	(121)
At 31 December 2025		323	602	1	926

(a) Refer to Note 9A5.1.

A2.2 SUMMARY FINANCIAL INFORMATION FOR MATERIAL NON-CONTROLLING INTERESTS

The following tables summarise the financial information for ENWH Group and EA1L. The amounts disclosed are before any Group consolidation adjustments.

(a) ENWH GROUP – SUMMARY FINANCIAL INFORMATION

	At 31 December 2025 £m
Non-current assets	4,612
Current assets	335
Non-current liabilities	(3,017)
Current liabilities	(807)
Net assets	1,123
Net assets attributable to non-controlling interest (12%)	135

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9 GROUP INFORMATION *continued*

	Period ended 31 December 2025 £m
Revenue	539
Dividends paid	(40)
Net profit for the period	118
Other comprehensive income	(6)
Total comprehensive income	112
Profit allocated to non-controlling interest (12%)	14
Other comprehensive income allocated to non-controlling interest (12%)	(1)
Cash flows from operating activities	415
Cash flows from investing activities	(339)
Cash flows from financing activities	(133)
Net decrease in cash and cash equivalents	(57)

(b) EA1L – SUMMARY FINANCIAL INFORMATION

	At 31 December	
	2025 £m	2024 £m
Non-current assets	1,452	1,533
Current assets	187	183
Non-current liabilities	(365)	(363)
Current liabilities	(34)	(33)
Net assets	1,240	1,320
Net assets attributable to non-controlling interest (40%)	496	528

	Year ended 31 December	
	2025 £m	2024 £m
Revenue	493	405
Dividends paid	(290)	(300)
Net profit for the year	213	194
Other comprehensive income	(1)	–
Total comprehensive income	212	194
Profit allocated to non-controlling interest (40%)	85	78
Other comprehensive income allocated to non-controlling interest (40%)	(1)	–
Cash flows from operating activities	351	269
Cash flows from investing activities	(5)	(7)
Cash flows from financing activities	(298)	(308)
Net increase/(decrease) in cash and cash equivalents	48	(46)

A3 JOINT OPERATIONS

The Group holds a 50% ownership interest in both Eastern Green Link 1 Limited (“EGL1L”) and Eastern Green Link 4 Limited (“EGL4L”), however, the Group’s participating share in these entities is variable due to the terms attributable to the entities’ external contracts. The participating shares of both of these entities are accounted for as joint operations. Despite having no capital or reserves, these joint operations are considered material to the Group on the basis of the value of the capital expenditure they are incurring on behalf of the Group in relation to strategically important capital projects. Also, until 4 November 2025, the Group held a 50% ownership interest and participating share in CWL and MWL. Refer to Note 9A5.4.

A3.1 SIGNIFICANT JUDGEMENTS MADE IN DETERMINING THE CLASSIFICATION OF A JOINT ARRANGEMENT

EGL1L and EGL4L are determined to be joint arrangements because they are separate legal entities which the Group has joint control over through respective shareholder agreements, which have the effect of giving the controlling parties rights to the assets of the arrangements and obligations for their liabilities. Therefore, the arrangements are considered to be joint operations. The aggregate amount of the capital and reserves are noted below.

	2025 £m	2024 £m
Aggregate capital and reserves		
CWL	–	93
MWL	–	122
EGL1L	–	–
EGL4L	–	–
	–	215

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 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

9 GROUP INFORMATION *continued*

A4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The table below presents the movements in the carrying value of investments accounted for using the equity method (joint ventures and associates), EA3H Group is considered a material joint venture of the Group. All other joint ventures are immaterial in aggregate to the Group.

A4.1 MOVEMENT IN CARRYING AMOUNTS OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Notes	ENWH Group £m	EA3H Group £m	Other £m	Total £m
At 1 January 2024		–	–	10	10
Acquisition	(a)	2,218	–	–	2,218
Share of result for the year	(b)	40	–	1	41
Share of other comprehensive income for the year	(b)	6	–	–	6
At 31 December 2024 and 1 January 2025		2,264	–	11	2,275
Acquisition	(c)	–	49	–	49
Share of result for the year	(d)	20	2	1	23
Share of other comprehensive income for the year	(d)	(3)	–	–	(3)
Consolidation as subsidiary	(e)	(2,281)	–	36	(2,245)
At 31 December 2025		–	51	48	99

- (a) On 22 October 2024, SPENH, a subsidiary of the Group, acquired 85.63% of the share capital of ENWH; this was represented by the acquisition of 4,482,862 ordinary shares of no par value and 280,008,889 redeemable preference shares of no par value. Subsequently, on 24 October 2024, ENWH issued 1,034,107 new ordinary shares of no par value and 64,592,592 new redeemable preference shares of no par value to SPENH, resulting in the Group owning an 88% share of ENWH and the corresponding voting rights at the year ended 31 December 2024. The preference shares have no coupon or redemption date attached to them and are redeemable only at the request of ENWH. The cost of the preference shares acquired was included within the acquisition cost of £2,218 million.
- (b) The share of result and other comprehensive income for the ENWH Group for the year ended 31 December 2024 is for the period from acquisition on 22 October 2024 to 31 December 2024, being the period through which it was accounted for as an associate of the Group.
- (c) On 23 July 2025 the Group acquired an investment in the EA3H Group of £49 million (refer to Note 9A5.2).
- (d) The share of result and other comprehensive income for the ENWH Group for the year ended 31 December 2025 is from 1 January 2025 to 20 March 2025 when ENWH and its subsidiaries were accounted for as associates. The share of result and other comprehensive income for the EA3H Group for the year ended 31 December 2025 is from 23 July 2025 to 31 December 2025.
- (e) The Group's investment in ENWH and its subsidiaries and joint venture at 31 December 2024 were accounted for as investments in associates, pending regulatory clearance. Regulatory approval was granted on 20 March 2025, and from this date all entities in the ENWH Group have been accounted for as subsidiaries except for the investment in Steel River Power Limited which continues to be accounted for as an associate within Other investments accounted for using the equity method in the reconciliation above. Refer to Note 9A5.1 for further details.

A4.2 SUMMARY FINANCIAL INFORMATION FOR JOINT VENTURES

The following tables summarise financial information for the EA3H Group, the only joint venture that is material to the Group. The amounts disclosed present financial information for the EA3H Group in full and not the Group's share of those amounts. The amounts were amended to reflect adjustments made when using the equity method.

	At 31 December 2025 £m
Non-current assets	2,143
Current assets	1,375
Non-current liabilities	(2,736)
Current liabilities	(635)
Net assets	147
Group share of net assets (50%)	74
Fair value adjustments on acquisition	(23)
Carrying amount of investment in joint venture	51

	Year ended 31 December 2025 £m
Profit from continuing operations	3
Other comprehensive income	14
Total comprehensive income (100%)	17
Total comprehensive income as a wholly-owned subsidiary prior to divestment	(17)
Group's share of total comprehensive income (50%)	–

A4.3 SIGNIFICANT FINANCIAL RESTRICTIONS IN RESPECT OF JOINT VENTURES

EA3L is subject to lender-imposed restrictions under project financing agreements. In addition to compliance with financial covenants, security is pledged over the assets of EA3L and cash flows are controlled through escrow arrangements. These restrictions materially limit the Group's ability to access cash, dispose of assets, or make distributions from EA3L until the financing obligations have been fully discharged. The Group's interest in EA3L is pledged as security under a project financing arrangement. Under the terms of the facility, the Group is restricted from selling or transferring its shares in the joint venture while the debt remains outstanding. In the event of default, ownership of the shares may be transferred to the lender. These arrangements restrict the Group's ability to realise its investment until the financing is repaid.

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9 GROUP INFORMATION *continued*

A4.4 COMMITMENTS IN RESPECT OF JOINT VENTURES AND ASSOCIATE

	2025 £m	2024 £m
Commitments to contribute funds to a joint venture	750	–
Commitments to fund a joint venture's capital commitments, if called	450	–

A4.5 CONTINGENT LIABILITIES IN RESPECT OF JOINT VENTURES AND ASSOCIATE

The Group's joint ventures and associate are party to various legal claims, actions and complaints, certain of which may involve material amounts. Such non-litigious dispute claims have been received in relation to EA3L.

Where the outflow of resources is considered probable, and a reasonable estimate can be made of the amount of the present obligation, a provision is recognised for these amounts in the relevant joint venture or associate. Where an outflow is not probable, but is possible, or a reasonable estimate of the present obligations cannot be made, a contingent liability exists. The Group currently believes that resolution of these matters will generally not have a materially adverse effect on the Consolidated accounts.

A5 CHANGES IN CONSOLIDATED INTERESTS

A5.1 STEP ACQUISITION OF SUBSIDIARIES – ENWH GROUP

In line with Iberdrola's strategic plan of increasing exposure to regulated electricity networks in its core markets, the Group acquired 88% of the share capital of ENWH in October 2024 (refer to Note 9A4.1). The acquisition was subject to an IEO by the CMA, under which it was determined that the Group did not control ENWH but had significant influence (refer to Note 3A). The Group, therefore, accounted for the investment in ENWH as an associate applying the equity method from the date of acquisition until 20 March 2025, when the CMA cleared the Group's acquisition of ENWH and the IEO was lifted. Control of ENWH is, therefore, deemed to have transferred to the Group on 20 March 2025 and the ENWH Group has been consolidated from this date. The Group's stake in ENWH remained at 88% when control passed.

The acquisition has been accounted for as a business combination under IFRS 3 'Business Combinations'.

Consideration transferred

The consideration transferred was £2,281 million, which comprised the fair value of the Group's equity investment in ENWH. The fair value of the equity investment was reviewed on 20 March and it was deemed to be equal to the carrying value.

Acquisition-related costs

The costs relating to this business combination are £12 million. £12 million was included in External services in the Consolidated income statement for the year ended 31 December 2024. The costs incurred in the 2025 financial year have been less than £1 million.

Fair value of net assets acquired

The fair value of the net assets acquired on 20 March 2025 and the resulting goodwill are set out below:

	Note	£m
Intangible assets	(a)	2,141
Property, plant and equipment		2,892
Right-of-use assets		18
Retirement benefits asset		43
Investments accounted for using the equity method		36
Inventories		57
Trade and other receivables		102
Cash and cash equivalents		247
Current tax asset		11
Loans and other borrowings		(1,995)
Derivative financial instruments		(373)
Lease liabilities		(18)
Deferred tax liabilities		(751)
Other provisions		(4)
Trade and other payables		(307)
Fair value of net assets acquired		2,099
Fair value of net assets acquired		2,099
Goodwill		493
Non-controlling interest based on proportionate interest of net assets and goodwill acquired		(311)
Consideration transferred (value of previously held equity investment)		2,281

(a) The fair value of intangible assets includes licences with a total fair value of £2,100 million.

Adjustments to provisional fair values

During the year, provisional fair values recognised on acquisition in the prior year were finalised. As a result, the following balances were revised: Intangible assets decreased by £8 million, Property, plant and equipment increased by £17 million, Right-of-use-assets decreased by £17 million, Trade and other receivables decreased by £5 million, Loans and other borrowings increased by £51 million, Derivative financial instruments decreased by £33 million, Lease liabilities increased by £17 million, Deferred income of £32 million was removed, Trade and other payables decreased by £49 million and the deferred tax liability decreased by £1 million. Overall the fair value of net assets acquired increased by £4 million and there was a corresponding decrease in goodwill. The adjustments reflect additional information obtained during the measurement period about facts and circumstances that existed at the acquisition date.

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9 GROUP INFORMATION *continued*

Goodwill

The goodwill is attributable to the value of the ENWH Group's skilled workforce and the growth of its non-regulated business. None of the goodwill recognised is expected to be deductible for tax purposes.

Impact on Consolidated income statement

Revenue and net profit relating to the ENWH Group since 20 March 2025 of £524 million and £110 million respectively is included in the Consolidated income statement for the year ended 31 December 2025. Had the Group obtained control of ENWH Group on 1 January 2025, Revenue per the Consolidated income statement would have been £103 million higher and the Net profit for the year attributable to the parent £3 million lower.

A5.2 DIVESTMENT – EA3H GROUP

SPRUKL, a wholly-owned subsidiary of the Group, held 100% of the share capital in EA3HL, which in turn holds the entire share capital of EA3L, the company which is constructing the EA3 offshore wind farm. On 23 July 2025, SPRUKL sold 50% of its shareholding in EA3HL, and therefore 50% of its indirect holding in EA3L, receiving cash of £31 million for the shares on the completion date. Additional consideration of approximately £18 million is also receivable but is subject to earn out clauses as set out within the SPA.

From 23 July 2025, EA3HL and EA3L were no longer consolidated as subsidiaries of the Group and instead accounted for as joint ventures applying the equity method. Therefore, on this date, the carrying values of assets and liabilities of the EA3H Group were derecognised from the Statement of financial position. The carrying value of assets primarily included Property, plant and equipment of £1,493 million, Inventories of £992 million and Cash of £209 million. The carrying value of liabilities primarily included Loans and other borrowings with external counterparties of £2,205 million and Trade and other payables of £344 million. Goodwill of £9 million was also derecognised.

The divestment resulted in an overall increase in Net profit of £67 million. The loss on divestment of £68 million and the recycling of losses within Other comprehensive income of £40 million (totalling £108 million) is presented within Gains and losses on changes in consolidated interests. In addition, the Group recognised a gain of £237 million on the settlement of derivatives, which is presented within Finance income and Finance costs, and the associated tax charge of £62 million. The cash flows arising on the divestment have been reported as Cash flows from investing activities in the Statement of cash flows with the exception of the cash receipt on settlement of interest rate swaps on divestment, this receipt has been reported within Cash flows from financing activities.

A5.3 DISPOSAL OF SUBSIDIARY – SPSMAL

On 9 September 2025, SPRH, a wholly-owned subsidiary of the Group, sold its 100% shareholding in SPSMAL.

The consideration received was £596 million. Furthermore, as part of the SPA, the buyer repaid the on-demand intercompany loan due from SPSMAL to the Company totalling £299 million.

The gain on disposal of the subsidiary of £554 million is included within Gains and losses on changes in consolidated interests in the Income statement for the year ended 31 December 2025.

A5.4 CHANGE IN OWNERSHIP – MWL AND CWL

Until 4 November 2025, MWL and CWL were both joint operations of the Group. The joint operators were the Group's wholly-owned subsidiary SPRUKL and Shell New Energies Holding Limited ("Shell"), each having a 50% ownership interest in the respective companies.

On 4 November 2025, SPRUKL acquired Shell's 50% shareholding in MWL and on the same day sold its 50% shareholding in CWL to Shell. The consideration for MWL was £64 million, which comprised the fair value of the Group's share of the assets of CWL and £10 million in cash paid in 2026. The consideration received for the sale of the Group's shareholding in CWL comprised Shell's 50% shareholding in MWL and £1. The net impact of these linked transactions on the Income statement was less than £1 million.

The directors have accounted for the acquisition of MWL as an asset acquisition and from 4 November 2025, MWL has been consolidated as a wholly-owned subsidiary of the Group.

B PARENT COMPANY

B1 MOVEMENTS IN INVESTMENTS IN SUBSIDIARIES

	Note	Investment in subsidiaries £m
At 1 January 2024		7,375
Additional share capital	(a)	1,400
At 31 December 2024, 1 January 2025 and 31 December 2025		8,775

(a) The Company purchased 2,800,000,000 additional ordinary shares of £0.50 each in SPUK in the prior year.

(b) In preparing these Accounts, no indicators of impairment were identified as part of this review.

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY

GROUP

A CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

The table below sets out the carrying amount and fair value of the Group's financial instruments.

Classification	Notes	2025		2024	
		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets					
Other investments	FVTPL	5	5	5	5
Derivative financial instruments	Fair value hedging instrument	338	338	411	411
Receivables	Amortised cost/FVTPL	1,883	1,883	1,299	1,299
Cash and cash equivalents	Amortised cost	350	350	207	207
Financial liabilities					
Loans and other borrowings	Amortised cost	(10,307)	(10,288)	(9,277)	(9,233)
Derivative financial instruments	Fair value hedging instrument	(699)	(699)	(348)	(348)
Payables	Amortised cost/FVTPL	(1,934)	(1,934)	(1,755)	(1,755)
Other financial liabilities	Amortised cost	(162)	(162)	(102)	(102)

The carrying amount of these financial instruments is calculated as set out in Note 4. With the exception of Loans and other borrowings, the carrying amount of financial instruments is a reasonable approximation of fair value. The fair value of Loans and other borrowings is calculated as set out in footnote (d) below.

- (a) Balances outwith the scope of IFRS 7 and IFRS 9 have been excluded, namely Prepayments, Other tax receivables, Payments received on account and Other taxes and social security.
- (b) Included within Receivables at 31 December 2025 is £7 million of contingent consideration. The contingent consideration arose on the sale of 50% of the share capital of EA3HL during 2025. Refer to Note 9A5.2.
- (c) Cash and cash equivalents represents cash deposited with banks and other short-term deposits, which mature within a period of 90 days. As a general rule, cash deposited with banks earns interest at rates similar to market rates on daily deposits. Restricted cash is £61 million as at 31 December 2025 (2024 £30 million) representing cash held for regulatory purposes (refer to Note 4R).
- (d) The fair value of listed debt is calculated using the most recently traded price to the 2025 year end date. The fair value of all other loans and borrowings is calculated using a discounted cash flow.
- (e) Included within Payables at 31 December 2025 is £18 million of deferred consideration payable in relation to the investment in Steel River Power Limited.

B MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group holds certain financial instruments which are measured in the Statement of financial position at fair value as detailed in Note 10A above. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

In the prior year, all Derivative financial instruments were classified as Level 2 within the fair value hierarchy. In the current year, all Derivative financial instruments remain classified as Level 2, with the exception of load-following swaps, which are categorised as Level 3.

Included in Level 2 derivative liabilities of £687 million (2024 £348 million) are inseparable third-party credit enhancements. These have been reflected in the fair value measurement of the liability.

Level 2 commodity derivatives are fair-valued by comparing and discounting the difference between the expected contractual cash flows for the relevant commodities and their quoted prices in an active market.

Level 2 foreign exchange derivatives comprise a cross-currency swap and forward foreign exchange contracts, which are both fair-valued using the forward exchange rates quoted in an active market.

Level 2 inflation swaps are fair-valued using a discounted cash flow which uses forward inflation expectations derived from observable markets.

Level 2 interest rate swaps are fair-valued using a discounted cash flow which uses forward interest rate expectations derived from observable markets.

Level 2 embedded derivatives are fair-valued using discounted cash flows which use forward expectations for inflation derived from observable markets, the quoted prices of relevant commodities and quoted forward exchange rates.

In the current year, the Group holds Level 3 commodity derivative financial instruments, comprised entirely of load-following swaps. The valuation of these instruments is determined by applying the forecast output from the contracted generation assets to the difference between the contract strike price and long-term forward electricity price forecasts across the remaining contract term. As part of the early adoption of the amendment to IFRS 9 for contracts with nature-dependent electricity (refer to Note 2B), the Group reviewed the fair value hierarchy classification of these instruments and concluded that both the long-term price and volume forecasts rely on significant unobservable inputs. Accordingly, load-following swaps have been classified as Level 3 financial instruments in 2025. The effect of this reclassification has not been reflected as a restatement of the prior year disclosures as the directors do not consider this to have had a material impact.

Transfers between levels of the fair value hierarchy are recognised at the date of the event or change in circumstances that results in a change in classification. As a direct result of the above, derivative liabilities of £20 million were transferred from Level 2 to Level 3 during 2025 (refer to the reconciliation of movements in Level 3 financial instruments overleaf). There were no transfers between levels in 2024.

Overleaf is a reconciliation of the opening to closing balances for derivative financial instruments classified as Level 3 within the fair value hierarchy.

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2025

10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

Movement category	Derivative financial instruments £m
Level 3 fair value at 1 January 2025	–
Transfers into Level 3	(20)
Settlement of Level 3 Derivative financial instruments	4
Sale of Level 3 Derivative financial instruments	4
Level 3 fair value at 31 December 2025	(12)

A sensitivity analysis, showing the impact of reasonably possible changes in electricity prices on the fair value of load-following swaps, is provided at Note 10E2.5(a).

C ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENTS – CARRYING AMOUNT

	Notes	2025				2024			
		Assets		Liabilities		Assets		Liabilities	
		Non-current £m	Current £m	Non-current £m	Current £m	Non-current £m	Current £m	Non-current £m	Current £m
Hedging derivatives:									
Exchange rate hedges:									
		3	–	–	–	10	–	–	–
		8	8	(7)	(4)	1	1	(23)	(28)
		4	30	(13)	(71)	9	169	(29)	(47)
	(a)	34	–	–	–	242	–	–	–
		55	–	(127)	(21)	–	–	(221)	(21)
Non-hedging derivatives:									
		–	8	–	(8)	–	–	–	–
		–	26	–	(21)	–	50	(2)	(54)
		5	1	(17)	(1)	9	–	(5)	–
	(b)	198	10	(405)	(17)	2	–	–	–
	(b)	–	–	(30)	(9)	–	–	–	–
Total gross derivatives		307	83	(599)	(152)	273	220	(280)	(150)
Impact of netting	(c)	(6)	(46)	6	46	(8)	(74)	8	74
Total net derivatives on Statement of financial position		301	37	(593)	(106)	265	146	(272)	(76)

(a) The decrease in the fair value of the hedging interest rate swaps reflects the settlement of ten-year forward-start interest rate swaps with a notional value of £1.6 billion. These swaps were de-designated prior to settlement and were connected to the divestment of the EA3H Group (refer to Note 9A5.2 and Note 24).

(b) The significant movement in the net fair value of inflation swaps and interest rate swaps not subject to hedge accounting reflects the acquisition of the ENWH Group and the subsequent entry into associated RPI inflation swaps.

(c) Certain derivative financial instruments are presented net in the Statement of financial position. A reconciliation between the gross and net position is provided in Note 10D.

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2025

10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

D OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group is eligible to present financial assets and financial liabilities net in the Statement of financial position as described in Note 4I2.3. The following table provides information on the impact of offsetting in the Statement of financial position as well as the financial impact of the netting of certain instruments in the event of default or similar agreements.

	2025					
	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial (liabilities) /assets offset in the Statement of financial position £m	Net amounts of financial assets/(liabilities) presented in the Statement of financial position £m	Related amounts not offset in Statement of financial position		Net amount £m
				Financial instruments (Note (a)) £m	Collateral (held)/posted (Notes (b) and (c)) £m	
Financial assets						
Receivables	2,008	(125)	1,883	(43)	(19)	1,821
Derivative financial instruments	390	(52)	338	(168)	(60)	110
Financial liabilities						
Payables	(2,059)	125	(1,934)	59	19	(1,856)
Derivative financial instruments	(751)	52	(699)	168	42	(489)
Other financial liabilities	(162)	–	(162)	2	–	(160)
	2024					
	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial (liabilities) /assets offset in the Statement of financial position £m	Net amounts of financial assets/(liabilities) presented in the Statement of financial position £m	Financial instruments (Note (a)) £m	Collateral (held)/posted (Notes (b) and (c)) £m	Net amount £m
Financial assets						
Receivables	1,390	(91)	1,299	(231)	(10)	1,058
Derivative financial instruments	493	(82)	411	–	(62)	349
Financial liabilities						
Payables	(1,846)	91	(1,755)	57	10	(1,688)
Derivative financial instruments	(430)	82	(348)	–	228	(120)
Other financial liabilities	(102)	–	(102)	8	–	(94)

- (a) Certain contracts for both financial assets and financial liabilities, do not currently meet the offsetting criteria within IAS 32 'Financial Instruments: Presentation'. However, in the event of default, these would be required to be offset per the requirements of the contract. The above balances show the effect on the Group if these contracts were also offset.
- (b) The Group enters into standard netting agreements with its commodity trading counterparties in order to mitigate the credit risk exposure of the Group. In addition, the Group utilises collateral support agreements with derivative counterparties to manage its credit exposure. These forms of collateral include margining for trading with exchanges, collateral used for bilateral and brokering trading, as well as letters of credit. At 31 December 2025, the value of letters of credit held amounted to £5 million (2024 £5 million). The value of letters of credit posted and performance guarantee bonds amounted to £360 million (2024 £428 million), £75 million (2024 £120 million) of which related to a letter of credit posted with the Group's commodity derivative clearer.
- (c) At 31 December 2025, the Group held collateral of £85 million (2024 £81 million) in respect of receivables, of which £84 million (2024 £80 million) can be offset against financial assets. At 31 December 2025, the Group also posted collateral of £64 million (2024 £258 million) in respect of payables, of which £48 million (2024 £237 million) can be offset against financial liabilities. The reduction in collateral posted reflects changes to inflation derivative contracts entered into by the Group with an external counterparty during the year.

SCOTTISH POWER LIMITED

NOTES TO THE ACCOUNTS *continued*

31 December 2025

10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

E FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities, other than derivative financial instruments, comprise loans and other borrowings, trade and other payables and other financial liabilities. Their main purpose is to finance the Group's operations. The Group's principal financial assets, other than derivative financial instruments, comprise trade and other receivables, and cash that arises directly from its operations.

The Group has exposure to the following risks arising from the above financial instruments:

- 1 CREDIT RISK
- 2 COMMODITY MARKET RISK
- 3 TREASURY RISK

The Group's senior management oversee the management of exposure to these risks through the policies detailed below. References to ScottishPower below apply fully to the Group.

The ScottishPower governance structure is supported by group risk policies and relevant risk and other guidelines adopted and approved by the SPL Board. The risk limits and indicators within the guidelines are approved by the boards of the Head of Business companies. ScottishPower's business risk assessment teams and the independent group risk management function support the SPL Board in the execution of due diligence and risk management. In addition, the boards of the Head of Business companies are responsible for ensuring that their respective business risks are adequately assessed, monitored, mitigated and managed. The UK Risk Director reports on risks for ScottishPower to the SP ACC and such reports are then presented to the SPL Board. ScottishPower's Internal Audit function also objectively and independently supervises the effectiveness of the Group's internal control system, which is made up of a set of risk management and control mechanisms and systems. This is achieved through regular and ad hoc audits, the results of which are reported to the SP ACC.

The governance structure described above, ensures that the risk management policies established for each division to identify, assess, monitor, report, manage and mitigate each relevant risk is adequately designed and implemented, and that an effective and efficient system of internal controls is maintained. The divisions adhere to their specific business risk limits and guidelines which were approved by the SPL Board.

The positions on risk and strategy for risk management are contained in the Risk Policy for Iberdrola's business in the UK (i.e. ScottishPower). The SPL Board adopts these policies which are implemented through a rigid risk governance structure, whereby responsibilities are vested with groups, committees and individuals on a global, as well as a divisional level. Generally, the risk management policy and control environment ensures that transactions undertaken, and instruments used, fall into the types of transactions approved by the SPL Board and are properly validated within the appropriate levels of authority. Transactions include instruments such as physically-settled instruments, financially-settled instruments, other contractual obligations, regulatory requirements and other obligations. The types of instruments which can be used are approved for each division. Subject to the limit requirements discussed above, no transactions were executed unless they were an approved instrument. Authorised personnel are permitted to engage only in those activities specified in the business operational policies and procedures.

A clear reporting structure is implemented within ScottishPower. It ensures that the portfolios are monitored on a timely basis and sufficient information is made available to management to enable quick response of the business to the dynamic characteristics of its market environment. Those reports include daily position, mark-to-market, Value at Risk ("VaR") reports as well as periodical fundamentals reports, credit watch, credit exposure, accounting and insurance reports.

E1 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its contractual obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The carrying amount of financial assets and contracts represent the maximum credit exposure to the Group.

E1.1 CREDIT RISK MANAGEMENT

The Group is exposed to both settlement risk (defined as the risk of a counterparty failing to pay for energy and/or services which have been delivered), as well as replacement risk (defined as the risk of incurring additional costs in order to replace a sale or purchase contract following a counterparty default).

Aggregate portfolio risk is monitored and reported by a Credit VaR Monte-Carlo-based simulation model to quantify the total credit risk within the existing portfolio.

Further details on the credit risk management strategy adopted for significant types of financial asset are set out below.

- Exposure to credit risk in the supply of electricity and gas arises from the potential that customers default on their invoiced payables. The financial strength and credit-worthiness of business customers are assessed prior to commencing, and for the duration of, their contract of supply. Both domestic and business customers' credit-worthiness is reviewed from a variety of internal and external information sources including customer payment history and credit checks.
- Credit risk in respect of other transactions is mitigated by contracting with multiple counterparties and limiting exposure to individual counterparties based upon the risk of counterparty default.
- Credit risk associated with energy-related derivatives is considered to be with counterparties in related energy industries, financial institutions operating in energy markets, or fellow Iberdrola Group companies. At the counterparty level, the Group employs specific eligibility criteria in determining appropriate limits for each prospective counterparty, and supplements this with netting and collateral agreements including margining, guarantees, letters of credit and cash deposits where appropriate.
- Credit risk from balances with banks and financial institutions is managed by SPL Treasury in accordance with Iberdrola's cash investment procedure. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty by Corporate Risk Management.

In both the current and prior year, the Group evaluated the concentration of risk with respect to financial assets as low, with no material concentration of credit risk arising from one particular counterparty.

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

E2 COMMODITY MARKET RISK

Commodity market risk is principally comprised of energy market risk. In addition, the Group has a number of supply contracts which expose the Group to commodities used in its construction projects.

E2.1 ENERGY MARKET RISK

Throughout 2025 and the prior year, the Group was exposed to energy market risk associated with fluctuations in the market price of electricity and gas, compounded by volumetric risk caused by unplanned changes in the output of the portfolio of generation assets and consumption by energy customers.

E2.2 ENERGY MARKET RISK MANAGEMENT

The risk management guidelines are implemented at the business level with the oversight of the divisions' boards, management teams and the independent risk management function. The Group uses a number of risk measurement procedures and techniques to ensure that risk is kept within pre-approved limits. The key measures are stop-loss limits and volume exposure by tenor limits. All valuation models are reviewed and approved by the independent group risk management function on an ongoing basis, including changes to assumptions and model inputs. Changes that could have had significant impact on the Accounts required additional review and approval by the appropriate boards.

During both the current and prior year, the risk management function employed additional techniques such as VaR, to assist in measuring risk within the volume exposure by tenor limits. VaR is a key measure of the potential financial loss on a price exposure position over a defined period to a given level of confidence. VaR computations for the Group's energy commodity portfolios were based on a historical simulation technique, which utilised historical energy market forward price curve changes to estimate the potential unfavourable impact of price changes in the portfolio positions. The quantification of market risk using VaR provided a consistent measure of risk and sensitivity across the Group's continually changing portfolio, however, VaR was not necessarily indicative of actual results that may occur.

Future changes in markets inconsistent with historical data or assumptions used could cause variation in actual results to exceed predicted ranges. The Group's VaR computations for its energy commodity portfolio utilised several key assumptions, including a 99% confidence level for the resultant price changes and a holding period of five business days. VaR, while sensitive to changes in portfolio volume, does not account for commodity volume risk. Commodity volume risk is defined as the possibility that a change in the supply of, or demand for, the commodity will create an unexpected imbalance and change the requirements for the commodity.

To provide a more accurate assessment of risk against volume-by-tenor limits, the VaR methodology incorporates the total forecast volumes for renewable generation assets and customer contracts. The Group's VaR measures are summarised below.

	2025 £m	2024 £m
VaR	27	68
Average VaR over prior year	42	91
Maximum VaR over prior year	67	118
Minimum VaR over prior year	26	66

E2.3 HEDGING OF ENERGY MARKET RISK

Hedging activities associated with energy market risk are undertaken by Energy Management. The strategy of the business is to mitigate the economic risks associated with electricity generation and supply of electricity and natural gas to end users in both the wholesale and customer markets. From a reporting perspective the objective is to report earnings results that are consistent with its operational strategies and hence recognise the earnings effect of financial and non-financial derivative transactions executed to hedge economic business risks in the same period in which the hedged operational activity impacts earnings. The aim is to minimise earnings volatility, which would otherwise be present as a result of fair valuing all derivative contracts under IFRS 9. To achieve this objective, where effectiveness documentation and reporting requirements are met, cash flow hedge accounting is applied by designation of a series of derivative trades, and deferring in equity the fair value changes of open derivative positions until the period in which the forecast transactions occur.

Cash flow hedging strategies are developed for both the electricity and natural gas portfolios to hedge the variability in cash flows associated with changes in the market price of each commodity. Forward (fixed price/fixed volume) contracts are designated as hedging instruments for the majority of electricity and gas hedges. Load-following swaps are used to a lesser extent to hedge the price and volume risks associated with electricity generation.

Counterparty risk is discussed in Note 10E1.1.

E2.4 OTHER COMMODITY RISK MANAGEMENT

The Group has a small number of supplier contracts which expose the Group to other commodity price risks. Each of these contracts are assessed to determine whether hedging strategies can be applied to mitigate the associated risks.

E2.5 COMMODITY CASH FLOW HEDGES

Certain commodity derivative instruments do not qualify for or are not subject to hedge accounting, including derivatives taken out with the ultimate parent company, Iberdrola, S.A.. Changes in the fair value of any derivative instrument that is not subject to hedge accounting are recognised immediately in the Income statement and are included in Gross margin, Finance income or Finance cost, as appropriate.

For an analysis of the split of the carrying amount of hedging and non-hedging commodity derivatives refer to Note 10C.

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
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10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

The amounts relating to commodity derivatives designated as hedging instruments during the year are detailed in the table below:

	Notes	2025 Hedging derivatives £m	2024 Hedging derivatives £m
Notional amount		1,491	2,207
Carrying amount – asset	(a)	34	178
Carrying amount – liability	(a), (b)	(84)	(76)
Changes in the value of the hedging instrument recognised in Other comprehensive income	(c)	(161)	138
Amount reclassified from the Cash flow hedge reserve to the Income statement	(d)	(11)	73
Amount recycled from the Cash flow hedge reserve to the Income statement on divestment of subsidiary	(e)	12	–

- (a) The carrying amount of derivative assets and liabilities are recorded within Derivative financial instruments on the Statement of financial position.
 (b) Included within the carrying amount of Derivative financial liabilities is £12 million (2024 £17 million) of load-following swaps.
 (c) Included within the change in value of the hedging instrument is £4 million (2024 £3 million) which relates to the cost of hedging and is not included for calculating hedge effectiveness. This line also includes a gain of £3 million (2024 £1 million) from load-following swaps.
 (d) The amount reclassified from the Cash flow hedge reserve to the Income statement is recorded within Gross margin. The amount reclassified from the Cash flow hedge reserve to the Income statement relating to load-following swaps is £4 million (2024 £3 million).
 (e) Amount recycled from the Cash flow hedge reserve to the Income statement on divestment of subsidiary is recorded within Gains and losses on changes in consolidated interests (refer to Note 9A5.2). Included within the £12 million disclosed above is £4 million which is recycled from the Cost of hedging reserve.

The amounts at the reporting date relating to commodity items designated as hedged items were as follows:

Line item in the Accounts in which the hedged item is/will be included	Change in fair value used for calculating hedge effectiveness		Cash flow hedge reserve balance	
	2025 £m	2024 £m	2025 £m	2024 £m
Gross margin	160	(146)	(56)	103
Property, plant and equipment in the course of construction	(3)	5	(3)	(5)
	157	(141)	(59)	98

Effectiveness of all hedging relationships is assessed monthly as part of the financial reporting cycle. Prospective effectiveness testing is performed at hedge inception and on an ongoing basis to confirm that each hedge continues to meet effectiveness requirements.

The Group assesses that an economic relationship exists between the hedging instrument (commodity derivative) and the hedged item (commodity purchases or sales) when the key terms of both items are aligned. In circumstances where the hedging instrument is a forward contract the key terms are expected to match, resulting in the hedge being virtually 100% effective. Where the key terms do not fully align, the Group performs prospective effectiveness testing at hedge inception and on an ongoing basis. This assessment compares movements in the fair value of the expected highly probable forecast transaction with corresponding movements in the fair value of the hedging instrument to confirm that the hedge continues to be effective.

Ineffectiveness will arise if the trade has been cancelled, in which case there would be no future transaction. In such circumstances, the trade and the hedge would be eliminated from the accounts. Ineffectiveness will also arise if the Group receives notification that the business have been unable to obtain a reliable price forecast from market sources or if there is a change to the Group Risk Management Strategy. Additionally, ineffectiveness will arise from any differences in the key terms of the hedged item and the hedging instrument.

(a) SENSITIVITY ANALYSIS ON COMMODITY PRICES

The sensitivity of the consolidated results to reasonably possible changes in the market prices of the Group's main commodities is presented in the table below.

Commodity	Notes	2025			2024		
		Variation in price	Impact on Profit before tax £m	Impact on Equity before tax £m	Variation in price	Impact on Profit before tax £m	Impact on Equity before tax £m
Gas		+30%	–	74	+30%	–	136
		-30%	–	(74)	-30%	–	(136)
Electricity	(i), (ii)	+30%	–	(152)	+30%	(14)	(172)
	(i), (ii)	-30%	–	152	-30%	14	172

- (i) Within the £152 million negative impact on Equity before tax that would have arisen from a 30% increase in electricity prices, £36 million (2024 £130 million) is attributed to the Group's load-following swaps. The positive impact arising from a 30% decrease in the price of electricity attributed to the Group's load-following swaps would have been £36 million (2024 £130 million). In the current year this also includes the Group's 50% share of EA3L's load-following swap commodity price sensitivity, recognised through the Group's share of the joint venture's other comprehensive income under the equity method.
 (ii) Due to the early adoption of Amendments to IFRS 9 and IFRS 7: 'Contracts with Nature-dependent Electricity' there is no current year Income statement impact.

The Group remains vigilant in monitoring geopolitical developments globally, including the Middle East, and continues to assess the potential impact on energy price volatility. If variation in prices increase further, a 100% increase in the price of gas would result in a positive £246 million impact on Equity before tax and a 55% increase in the price of electricity would result in a negative impact on Equity before tax of £279 million (of which £66 million relates to the Group's load-following swaps).

E3 TREASURY RISK

Treasury risk is comprised of liquidity risk, market risk and inflation risk. The Group's cash management and short-term financing activity is integrated with Iberdrola's. The Group's financing structure is determined by its position in the wider Iberdrola Group. The Group produces short-term rolling cash flow requirements and, if necessary, any required funding is obtained. The Group holds investment grade ratings with Moody's Investor Services (Baa1) and S&P Global Ratings (BBB+).

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 NOTES TO THE ACCOUNTS *continued*
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10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

E3.1 TREASURY LIQUIDITY RISK MANAGEMENT

The Group's liquidity position and short-term financing activities are integrated and aligned with Iberdrola's. Liquidity risk (defined as the risk that the Group will have insufficient funds to meet its liabilities), is managed by SPL Treasury, who are responsible for arranging banking facilities on behalf of ScottishPower. Iberdrola Financiación S.A. (a fellow Iberdrola Group company) is the principal internal counterparty for the loan balances due from the Group.

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

(a) FINANCIAL LIABILITIES (EXCLUDING COMMODITY DERIVATIVES)

	2025						Total £m
	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5 years and thereafter £m	
Cash outflows*							
Derivative financial instruments (excluding commodity derivatives)	739	336	170	109	417	649	2,420
Loans and other borrowings	1,432	973	397	1,925	1,124	7,309	13,160
Payables	1,913	7	6	8	–	–	1,934
Other financial liabilities	154	9	8	6	2	–	179
	4,238	1,325	581	2,048	1,543	7,958	17,693
	2024						
	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5 years and thereafter £m	Total £m
Cash outflows*							
Derivative financial instruments (excluding commodity derivatives)	1,156	667	523	176	77	199	2,798
Loans and other borrowings	2,405	773	1,133	342	1,670	6,233	12,556
Payables	1,747	–	4	2	2	–	1,755
Other financial liabilities	84	7	5	4	2	–	102
	5,392	1,447	1,665	524	1,751	6,432	17,211

* Maturity analysis of lease liabilities is presented at Note 7(c).

The interest payments on variable interest rate loans and bond issues in the table above reflect current interest rates at the reporting date; these amounts may change as market interest rates change.

The future cash flows on derivative instruments (including commodity derivatives below) may differ from the amounts in the table above as interest and exchange rates or the relevant conditions underlying the calculation change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(b) COMMODITY DERIVATIVES

The Group believes the liquidity risk associated with commodity derivatives needs to be considered in conjunction with the profile of payments in relation to all derivative contracts rather than only those in a liability position.

	2025						Total £m
	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5 years and thereafter £m	
Cash outflows							
Net cash outflows/(inflows)	(218)	143	27	5	1	–	(42)
	2024						
	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5 years and thereafter £m	Total £m
Cash outflows							
Net cash outflows/(inflows)	(282)	143	13	2	1	10	(113)

Details of the Group's contractual commitments are given in Note 30.

E3.2 TREASURY MARKET RISK MANAGEMENT

Market risk is the risk of loss resulting from changes in market rates (interest rates and foreign currency). The Group utilises a number of financial instruments to manage interest rate and foreign currency exposures.

(a) INTEREST RATE RISK

The Group's financial assets and liabilities are exposed to fluctuations in interest rates which impact upon cash flows and fair value measurements. Short-term interest rates followed a steady downward trend throughout 2025, while inflation remained above the Bank of England's 2% target. The CPI rose noticeably during the first half of 2025 before easing slightly towards the end of the year. The expectation for 2026 had been for a continued easing of inflation and further reductions in interest rates. However, in 2026, volatility in global financial markets intensified due to heightened geopolitical risk. This has led to a notable increase in oil and gas prices and, consequently, a higher interest and inflation outlook. Changes in inflation and interest rates are continually assessed for their financial impact.

(i) Hedging of interest rate risk

In order to adequately manage and limit interest rate risk, the Iberdrola Group annually determines the desired structure of the debt between fixed and floating interest rates, recognising that income is indexed against either interest rate movements or applicable price indices. SPL Treasury takes measures throughout the year to move toward the Iberdrola Group's desired ratios. Measures may include obtaining new sources of financing (at a fixed, floating or indexed rate) and/or utilising interest rate derivatives.

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10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

The Group may use interest rate derivatives, whether to set the interest rate (or limit its variability) for variable rate debt or to change debt from fixed rate to floating rate. Derivatives may also be used to establish the cost of future debt issues, provided they are highly probable and aligned to the strategic plan.

During the year, in connection with the divestment of the EA3H Group, the Group settled ten-year forward-start interest rate swaps with a notional value of £1.6 billion (refer to Note 9A5.2 and Note 24).

The Group also acquired the ENWH Group in the year. The ENWH Group use derivatives to manage interest rate and inflation risk by changing the basis of interest cash flows from a fixed profile to one which aligns more closely to its revenue, which is aligned to the Consumer Prices Index including owner occupiers' housing costs ("CPIH"). These derivatives are not designated in a hedge accounting relationship, so changes in their fair value are recognised in the Income statement within Finance income or Finance costs.

(ii) Interest rate swaps

The amounts relating to interest rate swaps designated as cash flow hedges during the year are detailed in the table below.

	Notes	2025 Hedging derivatives £m	2024 Hedging derivatives £m
Notional amount		700	2,270
Carrying amount – asset	(a)	34	242
Change in the fair value of the hedging instrument recognised in Other comprehensive income	(b)	52	104
De-designated cash flow hedges	(c)	(264)	–
Amount recycled from the Cash flow hedge reserve to the Income statement on divestment of subsidiary	(d)	4	–

(a) The carrying amount of interest rate swaps are recorded within Derivative financial instruments on the Statement of financial position.

(b) This is consistent with the change in the fair value of the hedging instrument used to calculate effectiveness.

(c) De-designated cash flow hedges are recorded within Finance income (refer to Note 24).

(d) Amount recycled from the Cash flow hedge reserve to the Income statement on divestment of subsidiary is recorded within Gains and losses on changes in consolidated interests (refer to Note 9A5.2).

Line item in the Accounts in which the hedged item will be included	Change in fair value used for calculating hedge effectiveness		Cash flow hedge reserve balance	
	2025 £m	2024 £m	2025 £m	2024 £m
Finance costs	(52)	(104)	34	242

(iii) Hedge effectiveness

The Group determines that the economic relationship between the hedging instrument (the interest rate swap) and the hedged item (forecast ten-year debt notional) will virtually always achieve 100% effectiveness where the key terms of the hedged item match the key terms of the hedging instrument. The hedge ratio is 1:1.

Ineffectiveness will arise if there are changes to the forecast dates of future cash flows related to the debt financing.

(iv) Sensitivity analysis on interest rate swaps

Sensitivities to changes in interest rates on the fair value of interest rate swaps are set out below. The sensitivities applied reflect reasonably possible changes in future interest rates.

Derivative instrument	Change in interest rates	Impact on Cash flow hedge reserve before tax in 2025	Impact on Cash flow hedge reserve before tax in 2024	Impact on Profit before tax in 2025	Impact on Profit before tax in 2024
Interest rate swaps	+0.5%	35	114	(4)	–
	+1.0%	70	227	(7)	–
	-0.5%	(35)	(114)	4	–
	-1.0%	(70)	(227)	8	–

(v) Interest rate analysis of debt

The table below shows the debt structure of the Group after taking hedging derivatives into account. Accrued interest has been excluded from the totals below.

	2025 £m	2024 £m
Fixed rate	5,045	4,093
Variable rate	5,127	5,077
	10,172	9,170

The Group's borrowings are held at amortised cost. The reference interest rates for the floating rate borrowings in 2025 are Sterling Overnight Index Average ("SONIA") and Bank of England Base Rate ("Base").

The variable rate debt consists of a £53 million (2024 £60 million) Japanese Yen ("JPY") loan, £508 million (2024 £nil) inflation-linked bonds, £4,405 million SONIA debt (2024 £4,695million) and £161 million (2024 £322 million) loans linked to Base.

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10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

(v) Sensitivity analysis on interest rate changes

The table below illustrates the impact on the annual interest rate charge considering various rate changes. The analysis assumes all other factors remain constant.

Debt category		Interest rate	Change in rate	Impact on interest charge in 2025 £m	Impact on interest charge in 2024 £m
Loans payable	Inflation-linked bonds	RPI	+0.5%	3	–
			+1.0%	5	–
			-0.5%	(3)	–
			-1.0%	(5)	–
Loans payable	SONIA debt (excluding JPY debt)	SONIA	+0.5%	22	23
			+1.0%	44	47
			-0.5%	(22)	(23)
			-1.0%	(44)	(47)
Loans payable	Short-term variable rate debt	Base	+0.5%	1	2
			+1.0%	2	3
			-0.5%	(1)	(2)
			-1.0%	(2)	(3)
Loans receivable	Variable rate debt	Base	+0.5%	(4)	–
			+1.0%	(7)	–
			-0.5%	4	–
			-1.0%	7	–

(a) Interest on JPY loan is fixed, however this is changed to variable by a cross-currency swap. An increase or decrease in the interest rate on this loan by 1.0% would have an impact on the interest charge in 2025 of less than £1 million (2024 less than £1 million).

(b) FOREIGN CURRENCY RISK

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which purchases and borrowings are denominated. In the current year, currencies in which these transactions are primarily denominated are Euros and US Dollars. The SPL Board policy stipulates that there should be no significant exposure to foreign currency and therefore SPL Treasury will hedge all foreign currency payments and contracts which have a (cumulative) value greater than a Sterling equivalent of £0.25 million.

(i) Hedging of foreign currency risk

The Group uses a combination of a cross-currency swap and foreign currency forwards to hedge its exposure to foreign currency risk. Under the Group's policy, the critical terms of the foreign currency forwards and swap must align with the hedged items.

For debt-related items the Group only designates the spot component of foreign currency forwards and its cross-currency swap in a hedge relationship. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. The changes in the forward points of the foreign currency forwards, or in the case of the cross-currency swap the interest differential, that relate to hedging currency denominated loans are deferred in the Cost of hedging reserve.

The Group also enters into foreign currency forwards in relation to asset purchases, and items of general expenditure. For such items, the Group generally designates the entire value of the foreign currency forward in the hedge relationship.

Some foreign currency forwards do not satisfy the requirements for hedge accounting (economic hedges) under IFRS 9. These foreign currency forwards are subject to the same risk management policies as all other derivative contracts. However, they are accounted for as 'held for trading' with gains and losses recognised in Finance income or Finance costs in the Income statement.

The table below illustrates the timing of the notional amount of the hedging instrument and the average forward price of the hedging instrument.

At 31 December 2025	Note	Notional amount of hedging instrument (maturity profile)					Total £m
		Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	5 years and thereafter £m	
USD	(a)	13	26	9	51	–	99
EUR	(a)	853	562	159	93	29	1,696
		866	588	168	144	29	1,795

(a) USD – US Dollar; EUR – Euro

(b) The information presented in the table above includes the gross notional value of the hedging derivative financial instruments arranged in absolute terms (without offsetting of purchase and sale positions).

At 31 December 2025	Average forward price of the hedging instrument (exchange rate)				
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	5 years and thereafter
USD (USD:GBP)	1.29	1.28	1.27	1.59	–
EUR (EUR:GBP)	1.13	1.12	1.11	1.08	1.07

Further details on the Group's foreign currency cash flow hedges and fair value hedges are set out on the following pages.

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10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

(ii) Foreign exchange rate cash flow hedges

Hedging of the purchase of assets and services: The Group is subject to cash flow risk arising predominantly from the purchase of property, plant and equipment and inventory, as well as other services, that are denominated in foreign currencies. The hedged risk relates to fluctuations in the functional currency value of these foreign currency denominated purchases. The Group enters into foreign exchange rate contracts to hedge those risks.

For an analysis of the split of the carrying amount of forward foreign exchange contracts refer to Note 10(c).

The amounts relating to foreign exchange rate derivatives designated as cash flow hedges during the year are detailed in the table below.

	Notes	2025 Hedging derivatives £m	2024 Hedging derivatives £m
Notional amount		1,744	2,491
Carrying amount – asset	(a)	16	2
Carrying amount – liability	(a)	(11)	(51)
Changes in the value of the hedging instrument recognised in other comprehensive income	(b)	54	(26)
Hedge ineffectiveness recognised in the Income statement	(c)	–	1
Amount reclassified from Cash flow hedge reserve to the Income statement	(c)	(1)	–
Amount reclassified from Cash flow hedge reserve to the Statement of financial position	(d)	20	19
Amount recycled from the Cash flow hedge reserve to the Income statement on divestment of subsidiary	(e)	38	–

- (a) The carrying amount of derivative assets and liabilities are recorded within Derivative financial instruments on the Statement of financial position.
 (b) This is consistent with the change in the fair value of the hedging instrument used to calculate effectiveness for hedging of asset purchases and items of general expenditure.
 (c) No hedge ineffectiveness (2024 £1 million) was recognised in the Income statement and included in Finance income. The amount reclassified from the Cash flow hedge reserve to the Income statement recorded and included within External services was £1 million (2024 £nil).
 (d) The amount reclassified from the Cash flow hedge to the Statement of financial position was £20 million (2024 £19 million). Refer to Note 13. The amount reclassified to Property, plant and equipment in the course of construction was £21 million (2024 £11 million) and the amount reclassified to Inventories was £(1) million (2024 £8 million).
 (e) Amount recycled from the Cash flow hedge reserve to the Income statement on divestment of subsidiary is recorded within Gains and losses on changes in consolidated interests (refer to Note 9A5.2.)

The amounts at the reporting date relating to foreign exchange items designated as hedged items were as follows:

Line item in the Accounts in which the hedged item is/will be included	Change in fair value used for calculating hedge effectiveness		Cash flow hedge reserve balance	
	2025 £m	2024 £m	2025 £m	2024 £m
Property, plant and equipment in the course of construction	(47)	25	7	(64)
Inventories	(5)	(1)	5	(17)
External services	(1)	1	(1)	1
Intangibles	(1)	1	(1)	(2)
	(54)	26	10	(82)
Less non-controlling interest share of cash flow hedge reserve	–	–	–	(1)
Total	(54)	26	10	(83)

The Group determines that the economic relationship between the hedging instrument (the foreign exchange rate forward contract) and the hedged item (the asset purchase or general expenditure) will mostly achieve 100% effectiveness. This is because the Group compares movements in the fair value of the expected highly probable forecast foreign currency cash flows, with movements in the fair value of the expected changes in cash flows from the hedging instrument. Forecast future foreign currency cash flows are largely based upon contractual obligations.

Ineffectiveness will arise if the trade has been cancelled, in which case there would be no future transaction. Ineffectiveness will also arise if the Group receives notification that the business has been unable to obtain a reliable price forecast from market sources or if there is a change in the Group's risk management strategy. Finally, ineffectiveness will arise from any differences in the key terms of the hedged item and the hedging instrument.

(iii) Fair value hedges

Hedging the value of cross-currency debt: the Group has issued debt instruments denominated in JPY. The value of the Group's liability with respect to those instruments is subject to foreign exchange risk and interest rate risk. As a result, the Group entered into a cross-currency swap and has designated it within a fair value hedging relationship where it meets the required hedging criteria to mitigate this risk. The carrying amount of the associated 10 billion JPY loan is £53 million (2024 £60 million).

	Notes	At 31 December 2025	At 31 December 2024
Notional amount (£m)		51	51
Carrying amount – asset (£m)	(a)	3	10
Change in fair value of the hedging instrument used in calculating hedge effectiveness (£m)		(7)	(7)
Change in fair value of hedged item used to calculate hedge effectiveness (£m)	(b)	7	7
Hedge ratio		1:1	1:1
Average hedge rate for the year (£:JPY)		1:194.55	1:194.55

- (a) The carrying amount of the fair value cross-currency swap is included within Derivative financial instruments on the Statement of financial position.
 (b) In both the current and prior year the change in value of hedged items used to calculate hedge effectiveness is included within Loans and other borrowings.

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10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

(iv) Hedge assessment on foreign currency derivatives

Hedge assessment on foreign currency derivatives is completed prospectively to verify that the forecast transactions are still highly probable of occurring (for cash flow hedges) as well as retrospectively, to assess the effectiveness in the period under review. Prospective assessment is performed using sensitivity analysis and critical terms matching.

(v) Sensitivity analysis on foreign currency derivatives and cash flows

The table below presents sensitivity analysis for the Group's open foreign exchange derivative positions. It reflects reasonably probable fluctuations to the spot rates used in the derivative valuation model. The percentages used in the sensitivity analysis below are based on the deviation between the year end exchange rate and the highest and lowest rates observed in the year.

	Note	2025	2024	
		Net impact on Cash flow hedge reserve before tax £m	Net impact on Finance income and cost £m	Net impact on Cash flow hedge reserve before tax £m
Percentage change in spot rate used in derivative valuation model				
Net expense generated by an appreciation in the GBP: EUR spot rate of 6% (2024 1%)		(89)	–	(16)
Net income generated by a depreciation in the GBP: EUR spot rate of 2% (2024 5%)		26	2	92
Net expense generated by an appreciation in the GBP: NOK spot rate of 5% (2024 1%)	(a)	–	–	(2)
Net income generated by a depreciation in the GBP: NOK spot rate of 3% (2024 9%)	(a)	–	–	17
Net expense generated by an appreciation in the GBP: USD spot rate of 2% (2024 7%)		(1)	(1)	(13)
Net income generated by a depreciation in the GBP: USD spot rate of 10% (2024 2%)		5	–	4

(a) NOK – Norwegian Krone. Although a NOK-denominated derivative position remained outstanding at the current year end, the exposure was not significant and therefore generated only immaterial valuation effects under reasonably possible movements in the GBP:NOK spot rate.

(b) Net impact on Finance income and cost in 2025 was negligible.

Foreign currency cash balances held are so small any movement in foreign exchange rates would result in an insignificant movement in the Income statement in both the current and prior year.

E3.3 INFLATION RATE RISK

(a) HEDGING OF INFLATION RATE RISK

The Group is exposed to inflation risk through its CfDs and certain supplier contracts.

Income earned through CfDs varies with inflation and volatility inherent in inflation will therefore impact the Group's income. In addition, the Group has entered into a number of supplier contracts where the price payable to the supplier is indexed to inflation.

To reduce exposure to this risk, the Group utilises CPI inflation swaps. These instruments result in the Group receiving a fixed CPI interest element, and paying a variable CPI interest element based on outturned CPI. The aim is to reduce volatility resulting from the exposure of revenue and capital expenditure to inflation.

The swaps are designated as cash flow hedges under IFRS 9 and hedge separately identifiable and reliably measurable contract terms of CfDs.

Refer to Note 10E3.2(a)(i) for further details on the ENWH Group's accounting for inflation-related derivatives. During 2025, the Group entered into non-hedging RPI inflation swaps with a notional value of £264 million and maturity dates of 2038 and 2050. These swaps were entered into to economically offset the impact of inflation swaps acquired by the Group as part of the acquisition of the ENWH Group.

The amounts relating to inflation rate swaps designated as cash flow hedges during the year are detailed in the table below.

	Notes	2025 Hedging derivatives £m	2024 Hedging derivatives £m
Notional amount		537	613
Carrying amount – asset		55	–
Carrying amount – liability		(148)	(242)
Change in the fair value of the hedging instrument recognised in other comprehensive income	(i)	134	(2)
De-designated cash flow hedges		14	–
Amount reclassified from Cash flow hedge reserve to the Income statement	(ii)	21	20

(i) This is consistent with the change in the fair value of the hedging instrument used to calculate effectiveness.

(ii) Amounts reclassified to the Income statement are included within Gross margin.

Line item in the Accounts in which the hedged item is/will be included	Change in fair value used for calculating hedge effectiveness		Cash flow hedge reserve balance	
	2025 £m	2024 £m	2025 £m	2024 £m
Gross margin	(136)	2	(90)	(240)
Property, plant and equipment in the course of construction	2	–	(2)	–
	(134)	2	(92)	(240)

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10 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

(b) HEDGE EFFECTIVENESS

The Group determines that the economic relationship between the hedging instrument and the hedged item will virtually always achieve 100% effectiveness. This is because the Group compares movements in the fair value of the expected highly probable cash flows, with movements in the fair value of the expected changes in cash flows from the hedging instrument. Forecast cash flows are based upon contractual obligations.

COMPANY

	Derivative financial instruments £m
At 1 January 2024	138
Recorded in the Cash flow hedge reserve	105
At 31 December 2024 and 1 January 2025	243
Recorded in the Cash flow hedge reserve	(209)
Recorded in the Income statement	258
Upfront payment and settlements of derivative financial instruments	(152)
At 31 December 2025	140

The Company's derivatives comprise interest rate swaps, inflation rate swaps and forward foreign exchange contracts.

In the prior year, the Company entered into additional ten-year forward start interest rate swaps (pay fixed/receive floating) for the period October 2029 to October 2039 for a notional value of £700 million. The purpose of these interest rate swaps is to hedge the change in UK underlying interest rates between initiation of the derivative and the future date at which the debt cost should be fixed i.e. the forecast debt issuance date of 2029. At 31 December 2024, the total notional value being hedged by ten-year forward start interest rate swaps was £2.3 billion. During the year, ten-year forward start interest rate swaps with a notional value of £1.6 billion were settled, resulting in a gain of £257 million.

During 2025, the Group entered into non-hedging RPI inflation swaps with a notional value of £264 million with maturity dates of 2038 and 2050. These swaps were entered into to economically offset the impact of inflation swaps acquired as part of the acquisition of the ENWH Group. As these swaps were not entered into at market value, an upfront payment of £106 million was made at inception. During the year, cash receipts of £1 million were received in respect of these swaps.

The Company enters into forward contracts to hedge foreign currency risk within the Group on the retranslation of inter-group loans and on foreign currency payables and receivables. The Company also enters into CPI inflation swaps to hedge operations within the Group. Both the external forward foreign exchange contracts and CPI inflation swaps are matched with internal contracts entered into with other Iberdrola Group companies. The movements in fair values of these contracts, therefore, have a minimal net impact on the Company income statement. The derivative reconciliation above displays the movement in the net position of all the Company's derivatives.

11 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY

(a) Analysis of trade and other receivables

	Notes	Group		Company	
		2025 £m	2024 £m	2025 £m	2024 £m
Non-current:					
Receivables due from related parties – loans	(i)	–	–	6,602	7,351
Prepayments		3	3	–	–
		3	3	6,602	7,351
Current:					
Receivables due from related parties		29	22	1	2
Receivables due from related parties – loans	(i), (ii)	722	–	768	4
Receivables due from related parties – interest		18	–	216	236
Trade receivables (including unbilled revenue)		1,050	985	–	–
Prepayments		77	62	–	–
Other tax receivables		53	28	–	–
Receivables in respect of government support schemes	(iii)	–	33	–	–
Other receivables	(iv)	64	259	1	228
		2,013	1,389	986	470

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11 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY *continued*

(i) Company loans due from related parties are analysed below:

Interest rate	Maturity	Company 2025		Company 2024	
		Non-current £m	Current £m	Non-current £m	Current £m
Base + 1%	On demand	3,739	768	4,388	4
3.05%	2027	899	–	899	–
6-month SONIA + 2.30%	2028	–	–	100	–
6-month SONIA + 0.84%	2029	649	–	649	–
6-month SONIA + 0.82%	2031	500	–	500	–
6-month SONIA + 1.47%	2035	815	–	815	–
		6,602	768	7,351	4

(ii) Group loans due from related parties is represented by one individual loan which is repayable on demand and accrues interest at Base + 1%.

(iii) At 31 December 2025, the Group had receivables due from the UK Government of £nil (2024 £33 million) relating to the EPG scheme.

(iv) Group other receivables includes £64 million (2024 £258 million) of collateral posted. For the Company, Other receivables primarily comprises collateral posted in relation to inflation swaps totalling £1 million (2024 £228 million). Refer to Note 10E3.3 for further information.

(b) Expected credit losses – Group

For trade receivables, the Group applies the simplified model for the calculation of ECLs. Given the varying risk characteristics of the population of trade receivables, this balance has been segmented for disclosure purposes into Energy customers' trade receivables and Other trade receivables.

Energy customers' trade receivables

The Group applies the IFRS 9 simplified model to measure ECLs, which uses a lifetime expected loss allowance, for all energy customers' trade receivables. The Group has adopted the practical expedient whereby it calculates the ECL on energy customers' domestic and SME customer receivables using a provision matrix. In line with previous years, the provision rates for these customers are based upon the customers' payment plan, historical credit loss experience and, where possible, adjusted for forecast information. To establish levels of ECLs, the recoverability of equivalent balances from the previous four years have been reviewed.

In line with IFRS 9, a forward-looking loss allowance has been included to ensure that external factors are appropriately mitigated. This has considered the recovery of additional historic debt created as a result of the moratorium on PPMs and the energy crisis, as well as new bad debt build up from ongoing affordability concerns and the new rules which extend the group of customers who are deemed not suitable for PPMs.

In terms of assessing I&C customers, the ECL is based on external credit scoring. The Energy Customers Credit Risk and Corporate Risk teams remain vigilant in tracking any liquidity issues on existing customers to identify any pre-emptive actions required, including putting collateral or letters of credit in place.

With the exception of I&C customers, management considers that where customers are final and all debt collection procedures have been exhausted, collectability is not deemed to be reasonably assured and therefore, amounts billed to these customers are written off as uncollectable. Set out below are the details of the credit risk exposure on energy customers' trade receivables:

	Current £m	90–179 days past due £m	180–365 days past due £m	More than 12 months past due £m	Non-aged balances (Note (ii)) £m	Unbilled (Note (iii)) £m	Total (Note (iii)) £m
At 31 December 2025							
Weighted average expected loss rate (%)	13.9%	30.8%	39.5%	46.3%	1.9%	15.2%	30.0%
Gross carrying amount: Trade receivables	216	104	147	326	52	125	970
Loss allowance	(30)	(32)	(58)	(151)	(1)	(19)	(291)
Net carrying amount	186	72	89	175	51	106	679
At 31 December 2024							
Weighted average expected loss rate (%)	15.9%	33.7%	44.6%	50.3%	4.1%	37.7%	34.8%
Gross carrying amount: Trade receivables	201	101	193	358	121	69	1,043
Loss allowance	(32)	(34)	(86)	(180)	(5)	(26)	(363)
Net carrying amount	169	67	107	178	116	43	680

(i) No amounts are past due or impaired or past due but not impaired in either year. Non-aged balances include balances with I&C customers where the ECL is based on external credit scoring.

(ii) The unbilled receivables of £125 million (2024 £69 million) includes gross unbilled receivables of £260 million (2024 £267 million) less customer credit balances of £135 million (2024 £198 million) in relation to customers in arrears after applying unbilled charges. The loss allowance in relation to unbilled receivables is £19 million (2024 £26 million). Further information on unbilled receivables, including sensitivity, is detailed in Note 3.

(iii) Since the prior year, the weighted average expected loss rate for energy customers' trade receivables has decreased by 4.8%. This was primarily driven by improvements in the ageing profile of the debt book following refinements to credit management processes.

(iv) Net carrying amount of £679 million (2024 £680 million) includes gross billed debt of £836 million (2024 £932 million) for domestic and SME customers and £271 million (2024 £332 million) of loss allowance on this billed debt. This amount is subject to significant estimation uncertainty, refer to Note 3.

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2025

11 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY *continued*

Other trade receivables

The Group also uses the IFRS 9 simplified model to measure ECLs for all other trade receivables. The provision rates represent a lifetime ECL and are based on the Iberdrola Group's historical loss experience and default rates. The table below illustrates the ECL on other trade receivables:

	0-6 months £m	Greater than 6 months £m	Total £m
At 31 December 2025			
Weighted average expected loss rate (%)	1.1%	43.8%	2.9%
Gross carrying amount	366	16	382
Loss allowance	(4)	(7)	(11)
Net carrying amount	362	9	371
At 31 December 2024			
Weighted average expected loss rate (%)	0.3%	36.4%	2.9%
Gross carrying amount	292	22	314
Loss allowance	(1)	(8)	(9)
Net carrying amount	291	14	305

Other trade receivables are written off when there is no reasonable expectation of recovery; indicators of which include, amongst others, the failure of a debtor engage in a repayment plan with the Group. The loss allowance has increased by £2 million to £11 million in comparison to prior year. This is primarily due to inclusion of the ENWH Group. Refer to the table reconciling the movement in the opening to the closing loss allowance.

Reconciliation of opening to closing loss allowance

The closing loss allowances for all financial assets measured at amortised cost at 31 December 2025 reconciles to the opening loss allowances as follows:

	Notes	Trade receivables £m
At 1 January 2024		
Increase in loss allowance recognised in the Income statement	(i)	109
Utilisation of provision		(66)
At 31 December 2024 and 1 January 2025		
Disposal of subsidiary	(ii)	(4)
Increase in loss allowance recognised in the Income statement	(i)	128
Utilisation of provision		(194)
At 31 December 2025		302

(i) Net credit losses on trade and other receivables per the Consolidated income statement of £128 million (2024 £109 million) includes £2 million (2024 £1 million) additional net costs primarily in relation to bad debt write-offs.

(ii) Refer to Note 9A5.3.

The overall decrease from the prior year in the loss allowance of £70 million is primarily driven by accelerated write-offs.

(c) Security of trade receivables – Group

For certain trade receivables, the Group may obtain security in the form of guarantees or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement (refer to Note 10D). The Group may require collateral in respect of certain other trade and other receivables (refer Note 18).

(d) Financial guarantees – Group

The Group's policy is only to provide financial guarantees for subsidiaries' liabilities relating to financing transactions. Under exceptional circumstances parent company guarantees are issued, in favour of a third party, to cover business operations of a Group company.

12 INVENTORIES – GROUP

	Note	2025 £m	2024 £m
Offshore transmission assets		432	982
ROCs	(a)	293	267
Maintenance parts and consumables		138	70
Fuel stocks		21	25
		884	1,344

(a) Refer to Note 4K for further information on ROCs.

(b) Inventories with a value of £324 million (2024 £368 million) were recognised as an expense during the year.

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2025

13 ANALYSIS OF MOVEMENTS IN CASH FLOW HEDGE RESERVE – GROUP

(a) The changes in the hedge reserve arising from valuation adjustments to hedging derivatives is set out below:

	Notes	Cost of hedging reserve £m	Commodity hedges £m	Foreign exchange rate hedges £m	Inflation hedges £m	Interest rate hedges £m	Gross value of hedges £m	Tax effect £m	Total £m
Analysis of cash flow hedge reserve									
At 1 January 2024		1	(31)	(23)	(238)	138	(153)	23	(130)
Effective cash flow hedges recognised		–	56	(80)	(22)	104	58	(15)	43
Removed from equity and recognised in the Income statement		–	73	–	20	–	93	(22)	71
Removed from equity and recognised in carrying amount of hedged items		–	–	19	–	–	19	(5)	14
Cost of hedging reserve – change in fair value		(4)	–	–	–	–	(4)	1	(3)
Hedge ineffectiveness recognised in the Income statement		–	–	1	–	–	1	–	1
At 31 December 2024 and 1 January 2025		(3)	98	(83)	(240)	242	14	(18)	(4)
Effective cash flow hedges recognised		–	(152)	35	113	52	48	(12)	36
De-designated cash flow hedges		–	–	–	14	(264)	(250)	66	(184)
Removed from equity and recognised in the Income statement		–	(11)	(1)	21	–	9	(1)	8
Removed from equity and recognised in carrying amount of hedged items		–	–	20	–	–	20	(5)	15
Cost of hedging reserve – change in fair value		(5)	–	–	–	–	(5)	1	(4)
Recycled to the Income statement on divestment of subsidiary	(i)	4	8	38	–	4	54	(14)	40
Hedge ineffectiveness recognised in the Income statement		2	(2)	–	–	–	–	–	–
Non-controlling interests share of cash flow hedges	(ii)	–	–	1	–	–	1	–	1
At 31 December 2025		(2)	(59)	10	(92)	34	(109)	17	(92)

(i) Refer to Note 9A5.2.

(ii) Refer to Note 9A2.1.

(b) The maturity analysis of amounts included in the hedge reserve is as follows:

	2025 £m	2024 £m
Less than 1 year	(52)	27
1-2 years	(17)	(34)
2-3 years	(21)	(24)
3-4 years	(12)	(22)
5 or more years	10	49
	(92)	(4)

14 DEFERRED INCOME – GROUP

	Transfer of assets from customers £m	Other revenue-related deferred income £m	Total £m
At 1 January 2024	1,550	3	1,553
Receivable during year	125	–	125
Released to Income statement	(47)	(3)	(50)
At 31 December 2024 and 1 January 2025	1,628	–	1,628
Receivable during year	172	–	172
Released to Income statement	(49)	–	(49)
At 31 December 2025	1,751	–	1,751

	2025 £m	2024 £m
Analysis of total deferred income		
Non-current	1,690	1,581
Current	61	47
	1,751	1,628

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

15 OTHER PROVISIONS – GROUP AND COMPANY

(a) Other provisions – Group

Note	Decommissioning costs (Note (i)) £m	Renewables Obligation (Note (ii)) £m	Regulatory (Note (iii)) £m	Share Scheme Costs (Note (iv)) £m	Other (Note (v)) £m	Total £m
At 1 January 2024	270	283	38	6	11	608
New provisions	6	347	–	6	4	363
Unwinding of discount	11	–	–	–	–	11
Utilised during year	(1)	(379)	(14)	(2)	(1)	(397)
Released during year	(1)	(2)	(22)	–	(5)	(30)
At 31 December 2024 and 1 January 2025	285	249	2	10	9	555
On consolidation of subsidiaries	(vi)	–	–	–	4	4
New provisions	19	296	–	21	19	355
Unwinding of discount	13	–	–	–	–	13
Utilised during year	(3)	(334)	–	(2)	(5)	(344)
Released during year	(1)	(3)	(2)	–	–	(6)
At 31 December 2025	313	208	–	29	27	577

Analysis of total other provisions

	2025 £m	2024 £m
Non-current	333	287
Current	244	268
	577	555

(i) The provision for decommissioning costs is the discounted future estimated costs of decommissioning certain non-current assets. There is significant estimation uncertainty in relation to this. Refer to Note 3B(d) for further details. The decommissioning costs are expected to be incurred in the period between 2026 and 2067. The following table shows the timeline in which undiscounted costs in relation to the decommissioning provision are expected to become current:

	Less than 1 year £m	1 to 10 years £m	11 to 20 years £m	21 to 30 years £m	31 to 40 years £m	41 years and thereafter £m	Total £m
Decommissioning costs	6	123	393	134	73	–	729

(ii) The provision for the Renewables Obligation (“RO”) at 31 December 2025 principally represents the value of ROCs for 2025 expected to be delivered in 2026. The utilisation of £334 million in the current year represents the ROCs surrendered to meet the annual RO. This provision is not discounted. Refer to Note 4K for the accounting policy.

(iii) As set-out on Note 29, from time to time, regulatory bodies, including Ofgem, open inquiries with the Group in relation to compliance with licences, laws and regulations, and the Group works proactively with those relevant authorities.

(iv) The provision at 31 December 2024 and 31 December 2025 represents the accumulated liability of the Group for the expected costs to satisfy options granted under the 2023 Sharesave scheme and the expected costs of providing matching shares under the 2010 Share Incentive Plan. These costs are expected to be settled between 2026 and 2027.

(v) The other provisions at 31 December 2025 includes a £15 million onerous contract provision recognised in the year. The provision is expected to be utilised between 2026 and 2044. The remaining balances within other provisions at 31 December 2025 and 31 December 2024 are not individually sufficiently material to warrant separate disclosure.

(vi) Refer to Note 9 A5.1.

(b) Provisions – Company

	Share scheme costs £m
At 1 January 2024	6
New provisions	6
Utilised during year	(2)
At 31 December 2024 and 1 January 2025	10
New provisions	21
Utilised during year	(2)
At 31 December 2025	29

Analysis of total other provisions

	2025 £m	2024 £m
Non-current	2	8
Current	27	2
	29	10

The Company accounted for two ScottishPower employee share schemes during 2025 namely, the 2010 ScottishPower Share Incentive Plan (“2010 SIP”) and the 2023 ScottishPower Sharesave scheme (“2023 Sharesave”). The 2010 SIP is a HMRC-approved plan which allows employees to purchase Iberdrola shares monthly from pre-tax salary up to a maximum of £150 per month. For the first twelve months of the 2010 SIP, launched in March 2010, the Company offered two free matching shares for each partnership share the employee purchased, up to a maximum of £150 worth of shares per month (£50 purchased by the employee, and £100 matched by the Company). Thereafter, the Company matched shares on a one-for-one basis up to a maximum of £50 of matching shares per month. The employee can sell the shares once held for a minimum of three years and can receive further tax benefits if held for a minimum of five years.

The 2023 Sharesave is a HMRC-approved plan which allowed employees to contribute up to £500 per month, in a savings vehicle for a period of three years. At the end of the savings period (March 2026), the employee has the option to buy Iberdrola shares at a pre-determined price using the savings.

At 31 December 2024 and 31 December 2025, the provision for share scheme costs represents the accumulated liability of the Company for the expected costs to satisfy options granted under the 2023 Sharesave and the expected costs of providing matching shares under the 2010 SIP. These costs are expected to be settled between 2026 and 2027. A charge of £21 million (2024 £6 million) has been recognised in the Income statement by the Company in respect of the share schemes in operation during the respective years.

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2025

16 LOANS AND OTHER BORROWINGS – GROUP AND COMPANY

(a) Analysis by instrument and maturity – Group

Instrument	Notes	Interest rate*	Maturity	2025		2024	
				Non-current £m	Current £m	Non-current £m	Current £m
Loans with related parties	(i)	Base + 0.3507%	On demand	–	–	–	64
Loans with related parties	(i)	Base + 1%	On demand	–	158	–	255
Loans with related parties	(i)	Base +1%	On demand	–	3	–	3
Loans with related parties	(ii), (iii)	SONIA + CAS + 0.75%	31 January 2025	–	–	–	700
Loans with related parties	(iii)	4.106%	1 August 2025	–	–	–	500
Loans with related parties	(iii)	SONIA + CAS + 0.78%	20 December 2027	190	–	190	190
Loans with related parties	(iii)	SONIA + CAS + 0.56%	22 May 2029	800	–	800	–
Loans with related parties	(iii)	4.454%	1 August 2029	500	–	500	–
Loans with related parties	(iii)	SONIA + 1.21%	20 December 2030	500	–	500	–
Loans with related parties	(iii)	SONIA + CAS + 0.69%	22 February 2031	500	–	500	–
Loans with related parties	(iii)	4.3835%	30 March 2032	800	–	800	–
Loans with related parties	(iii)	SONIA + 1.75%	29 July 2032	300	–	300	–
Loans with related parties	(iii)	3.745%	1 August 2032	500	–	500	–
Loans with related parties	(iii)	SONIA + 1.43%	20 December 2033	700	–	700	–
Loans with related parties	(iii)	5.358%	31 October 2034	600	–	600	–
Loans with related parties	(iii)	SONIA + 1.337%	1 August 2035	600	–	–	–
Loans with related parties	(iii)	SONIA + 1.47%	21 October 2035	815	–	815	–
Loans payable to related parties				6,805	161	6,205	1,712
£250 million bond		8.875%	25 March 2026	–	254	–	–
£200 million bond		8.875%	25 March 2026	–	200	–	–
£350 million bond	(iv), (v)	5.875%	17 July 2026	–	350	350	–
£350 million bond	(iv), (v)	4.875%	20 September 2027	349	–	349	–
10 billion JPY loan	(vi)	4.6%	27 July 2029	53	–	60	–
£100 million private placement	(vii)	4.07%	20 December 2029	97	(1)	–	–
£100 million private placement	(vii)	4.17%	20 December 2029	97	(1)	–	–
£300 million bond	(iv), (viii)	1.415%	30 July 2030	268	(9)	–	–
£350 million bond	(iv), (v)	2.0%	13 November 2031	344	–	344	–
£50 million index-linked loan	(iv), (ix)	0.26% + RPI	31 March 2032	26	5	–	–
£425 million bond	(iv), (viii)	4.893%	24 November 2032	421	–	–	–
£50 million index-linked loan	(iv), (ix)	0% + RPI	31 March 2033	30	4	–	–
£65 million private placement	(vii)	6.58%	17 November 2033	68	–	–	–
£20 million index-linked private placement	(vii)	1.4% + RPI	20 December 2034	29	–	–	–
£85 million index-linked private placement	(vii)	1.5% + RPI	20 December 2034	125	(1)	–	–
£27.5 million private placement	(vii)	7.04%	17 November 2038	29	–	–	–
£27.5 million private placement	(vii)	6.84%	17 November 2038	29	–	–	–
£50 million medium-term note	(iv), (x), (xi)	5.75%	9 December 2039	50	–	50	–
£100 million index-linked private placement	(vii)	1.265% + RPI	14 December 2040	127	(2)	–	–
£100 million medium-term note	(x), (xi)	6.375%	31 May 2041	100	–	100	–
£100 million index-linked bond		1.4746% + RPI	6 April 2046	167	(2)	–	–
Loans payable to external counterparties				2,409	797	1,253	–
Accrued interest due to related parties				–	80	–	87
Accrued interest due to external counterparties				–	55	–	20
				9,214	1,093	7,458	1,819

* SONIA + CAS - Sterling Overnight Index Average plus Credit Adjustment Spread.

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2025

16 LOANS AND OTHER BORROWINGS – GROUP AND COMPANY

- (i) These loans have the interest rates reset at pre-determined dates, this includes the ability to adjust the margin rate as deemed appropriate by both parties.
- (ii) The Group has an inter-group credit facility arrangement with Iberdrola Financiación S.A.U. with a limit of £2.7 billion at 31 December 2025 (2024 £2.7 billion). At 31 December 2025, the Company had £2.7 billion (2024 £2.0 billion) of undrawn committed borrowing facilities under this inter-group agreement expiring on 30 April 2029. During 2024, the Group borrowed £700 million under this facility and the loan was repayable and repaid on 31 January 2025. The limit of the inter-group credit facility arrangement increased to £3.2 billion in March 2026. As at the date of signing these accounts, the facility remains largely undrawn.
- (iii) These loans can be redeemed at any time by the Group, totally or partially, at market value giving five business days' notice to the lender. The settlement value will be calculated as defined by the repayment clause within each individual loan agreement. The lender may declare these loan agreements to have matured early in the event the lender's shareholding in the Group reduces to the extent that the Group no longer belongs to the Iberdrola Group.
- (iv) These bonds, loans and notes contain a 'Loss of licence' covenant that may require repayment of the outstanding amount should the Group or the relevant issuing company within the Group, lose any of their relevant licences (distribution, transmission, or supply licences).
- (v) These bonds will be redeemed at their principal amounts on their respective maturity dates of July 2026, September 2027 and November 2031 unless previously redeemed or purchased and cancelled. The bonds can be redeemed at any time by the Group at a higher redemption price (as determined by a financial advisor appointed by the Group and Guarantor) giving 30 to 60 days' notice.
- (vi) The interest rate quoted on the 10 billion JPY loan is fixed. This is changed to a variable rate by a cross-currency swap.
- (vii) These notes are secured and guaranteed by ENW Capital Finance plc, NWEN Group Limited and North West Electricity Networks plc. Covenant obligations arising from NWEN Plc U.S. private placement ("USPP") note purchase agreement which are incorporated in a Common Terms Agreement include a suite of financial and operational covenants, together with information undertakings and security arrangements, which apply for so long as any amounts remain outstanding under the USPP facilities. These covenants include requirements relating to the provision of financial information, delivery of covenant compliance certificates within specified timelines, notification obligations and restrictions associated with the existing security package. Non-compliance with the obligations may constitute a technical breach and may be treated as an event of default under the relevant agreements which may trigger early repayment of the loans which include a make whole provision. The covenants are monitored on a regular basis and there have been no historic or expected future breaches of these covenants.
- (viii) These bonds are guaranteed by Electricity North West Limited.
- (ix) The terms of the £50 million index-linked loans, funded by European Investment Bank, were renegotiated in December 2025. The margin on the £50 million loan maturing in 2032 was reduced from 0.38% to 0.26%, and financial covenants were removed from both tranches, in favour of receiving a parent company guarantee from Iberdrola S.A..
- (x) The Company and SPUK have an established joint US\$7 billion euro medium-term note programme. The Company has not issued under the programme. The Company has in issue various notes in Sterling which can be redeemed with 30 to 90 days' notice in case of unfavourable and unavoidable changes in the UK tax laws impacting on the note payments.
- (xi) The external debt contains non-financial covenants. A future breach of these covenants may require repayment of the notes earlier than indicated in the above table. Under the agreements, the covenants are monitored on a regular basis by SPL Treasury and regularly reported to management to ensure compliance with the agreements.
- (xii) During the year to December 2025, a £250 million revolving credit facility ("RCF") in North West Electricity Networks plc and a £75 million RCF in ENWL, both with a maturity date of April 2027, provided by a syndicate of banks, were cancelled and replaced with a £250 million committed RCF from the Group.

(b) Analysis by instrument and maturity – Company

	Notes	Interest rate	Maturity	2025		2024	
				Non-current £m	Current £m	Non-current £m	Current £m
Loans with related parties	(i)	Base + 0.3507%	On demand	–	–	–	64
Loans with related parties		Base + 1%	On demand	–	1,190	–	1,253
Loans with related parties	(ii), (iii)	SONIA + CAS + 0.75%	31 January 2025	–	–	–	700
Loans with related parties	(iii)	4.106%	1 August 2025	–	–	–	500
Loans with related parties	(iii)	SONIA + CAS + 0.56%	22 May 2029	800	–	800	–
Loans with related parties	(iii)	4.454%	1 August 2029	500	–	500	–
Loans with related parties	(iii)	SONIA + 1.21%	20 December 2030	500	–	500	–
Loans with related parties	(iii)	SONIA + CAS + 0.69%	22 February 2031	500	–	500	–
Loans with related parties	(iii)	4.3835%	30 March 2032	800	–	800	–
Loans with related parties	(iii)	SONIA + 1.75%	29 July 2032	300	–	300	–
Loans with related parties	(iii)	3.745%	1 August 2032	500	–	500	–
Loans with related parties	(iii)	SONIA + 1.43%	20 December 2033	700	–	700	–
Loans with related parties	(iii)	5.358%	31 October 2034	600	–	600	–
Loans with related parties	(iii)	SONIA + 1.337%	1 August 2035	600	–	–	–
Loans with related parties	(iii)	SONIA + 1.47%	21 October 2035	815	–	815	–
Loans payable to related parties				6,615	1,190	6,015	2,517
Accrued interest due to related parties				–	172	–	173
				6,615	1,362	6,015	2,690

- (i) This loan had the interest rates reset at pre-determined dates; this included the ability to adjust the margin rate as deemed appropriate by both parties.
- (ii) The Company has an inter-group credit facility arrangement with Iberdrola Financiación S.A.U. with a limit of £2.7 billion at 31 December 2025 (2024 £2.7 billion). At 31 December 2025, the Company had £2.7 billion (2024 £2.0 billion) of undrawn committed borrowing facilities under this inter-group agreement expiring on 30 April 2029. During 2024, the Group borrowed £700 million under this facility and the loan was repayable and repaid on 31 January 2025. The limit of the inter-group credit facility arrangement increased to £3.2 billion in March 2026. As at the date of signing these accounts, the facility remains largely undrawn.
- (iii) These loans can be redeemed at any time by the Company, totally or partially, at market value giving five business days' notice to the lender. The settlement value will be calculated as defined by the repayment clause within each individual loan agreement. The lender may declare these loan agreements to have matured early in the event the lender's shareholding in the Company reduces to the extent that the Company no longer belongs to the Iberdrola Group.

SCOTTISH POWER LIMITED
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 31 December 2025

17 OTHER FINANCIAL LIABILITIES – GROUP

	Notes	2025 £m	2024 £m
Non-current:			
Software licence liabilities		14	18
Current:			
Confirming arrangements	(a)	137	68
Collateral held	(b)	2	8
Software licence liabilities		9	8
		148	84

(a) During 2025, the Group agreed with certain suppliers to extend the payment periods for certain invoices in respect of property, plant and equipment ("PPE") and inventory associated with the development of renewable generation plants, as well as meter installation services. By virtue of the supplier financing arrangements agreed, the suppliers may choose to receive payment from a bank prior to the due date of the invoices. The arrangement does not introduce any additional collateral, guarantees or security.

The payment periods for the PPE invoices were extended from between 30 and 60 days to 180 days compared to normal terms of between 30 and 60 days for similar invoices. The payment periods for inventory invoices were extended from between 7 and 30 days to 180 days compared to normal terms of between 30 and 60 days for similar invoices. The payment periods for the meter installation service invoices were extended from 30 days to 90 days compared to normal terms of 30 days for similar invoices.

The Group has determined that, as the extended payment terms negotiated with the suppliers are beyond the normal terms agreed with other suppliers and the Group is required to pay a fee representing the supplier's cost of offering the extended terms, the appropriate presentation of the £137 million (2024 £68 million) outstanding with the bank under these supplier finance arrangement is Other financial liabilities in the Consolidated statement of financial position, rather than Trade and other payables. A further £17 million of invoices received under these arrangements are presented within Trade and other payables as they had not been processed by the bank as at 31 December 2025. As at 31 December 2025, the suppliers party to these agreements had already received payment of £118 million (2024 £68 million) from the bank.

The Group had cash outflows in the year in respect of invoices under supplier financing arrangements of £115 million (2024 £219 million).

A description of how the Group manages the liquidity risk inherent in this supplier financing arrangement is set out at Note 10E3.1.

(b) Refer to Note 4I5 for further details on the Group's collateral arrangements.

18 TRADE AND OTHER PAYABLES – GROUP AND COMPANY

	Notes	Group		Company	
		2025 £m	2024 £m	2025 £m	2024 £m
Non-current:					
Other payables		21	8	–	–
Current:					
Payables due to related parties	(a)	5	5	1	236
Trade payables		686	683	–	–
Other taxes and social security		33	17	–	–
Payments received on account		251	163	–	–
Capital payables and accruals		724	653	–	–
Collateral held		83	73	16	1
Other payables	(b)	415	333	1	1
		2,197	1,927	18	238

(a) At 31st December 2024, Payables due to related parties for the Company included £219 million of collateral held and associated interest payable of £16 million.

(b) Included within Group other payables is a balance of £360 million (2024 £284 million) relating to net customer credits after applying unbilled (comprising customer credits of £630 million (2024 £530 million)) in excess of £270 million (2024 £246 million) of unbilled receivables. Further information on unbilled payables, including sensitivity, is detailed in Note 3.

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19 DEFERRED TAX – GROUP AND COMPANY

(a) Deferred tax – Group

	Notes	Property, plant and equipment £m	Derivative financial instruments £m	Retirement benefits £m	Trading losses £m	Other temporary differences £m	Total £m
At 1 January 2024		1,662	22	31	–	(22)	1,693
Charge/(credit) to the Income statement		194	–	–	–	(4)	190
Recorded in the Statement of comprehensive income	(i)	–	42	–	–	–	42
At 31 December 2024 and 1 January 2025		1,856	64	31	–	(26)	1,925
On consolidation of subsidiaries	(ii)	795	(59)	11	–	4	751
Divestment of subsidiary	(iii)	(37)	7	–	–	–	(30)
Disposal of subsidiary		(81)	–	–	7	–	(74)
Charge/(credit) to the Income statement		270	6	2	(7)	(5)	266
Recorded in the Statement of comprehensive income	(i)	–	(87)	(1)	–	–	(88)
Recorded in the Statement of changes in equity		–	5	–	–	–	5
At 31 December 2025		2,803	(64)	43	–	(27)	2,755

- (i) The Group has recognised the deferred tax on the surplus of the ScottishPower pension scheme at 25% because the expected manner of recovery of the surplus is via reduced future contributions. Under IAS 12 'Income Taxes', the applicable rate in this circumstance is the prevailing Corporation Tax rate.
- (ii) Refer to Note 9A5.1.
- (iii) The impact of the disposal of the EA3H Group on the deferred tax on derivative financial instruments is a £14 million charge released from the Cash flow hedge reserve (refer to Note 13) and a £7 million credit to the Income statement.
- (iv) At 31 December 2025, the Group had unutilised capital losses of £487 million (2024 £487 million). No deferred tax asset was recognised in either year due to the unpredictability of suitable future profit streams against which these losses may be utilised.

(b) Tax recognised directly in equity – Group

A breakdown of tax recognised directly in equity is set out below:

	Notes	2025 £m	2024 £m
Relating to current tax:			
Retirement benefits movements	(i)	(8)	(28)
Cash flow hedge movements	(ii)	33	(1)
		25	(29)
Relating to deferred tax:			
Retirement benefits movements	(i)	(1)	–
Cash flow hedge movements	(ii)	(82)	42
		(83)	42

- (i) The tax on Retirement benefits movements is a Corporation Tax credit of £8 million (2024 £28 million) arising due to the excess of pension contributions over costs and a deferred tax credit of £1 million (2024 £nil) relating to actuarial gains.
- (ii) The tax on Cash flow hedge movements is a Corporation Tax charge of £33 million (2024 £1 million credit) and a deferred tax credit of £82 million (2024 £42 million charge). The net £49 million credit (2024 charge £41 million) comprises £5 million (2024 £nil) recognised in the Consolidated statement of changes in equity offset by £54 million (2024 £41 million) recognised in the Consolidated statement of comprehensive income.

(c) Deferred tax – Company

	Derivative financial instruments £m
At 1 January 2024	(34)
Recorded in the statement of comprehensive income	(26)
At 31 December 2024 and 1 January 2025	(60)
Recorded in the Statement of comprehensive income	52
At 31 December 2025	(8)

- (i) At 31 December 2025, the Company had unutilised capital losses of £454 million (2024 £454 million). No deferred tax has been recognised in the financial statements due to the unpredictability of suitable future profit streams against which these losses may be utilised.

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2025

20 REVENUE – GROUP

(a) Disaggregation of revenue

	Note	2025			Total £m
		Energy Networks £m	Renewable production £m	Customer business £m	
Revenue arising from contracts with customers in scope of IFRS 15:					
Electricity distribution		1,544	–	–	1,544
Electricity transmission		557	–	–	557
Transfers of assets from customers		49	–	–	49
Supply of electricity		–	–	2,639	2,639
Supply of gas		–	–	1,294	1,294
Other		–	59	53	112
		2,150	59	3,986	6,195
Revenue arising from contracts in scope of IAS 20:					
CfD		–	278	–	278
Other	(i)	–	–	(4)	(4)
		–	278	(4)	274
Revenue arising from contracts in scope of IFRS 9:					
Derivative income		–	(24)	71	47
		2,150	313	4,053	6,516
2024					
	Note	Energy Networks £m	Renewable production £m	Customer business £m	Total £m
Revenue arising from contracts with customers in scope of IFRS 15:					
Electricity distribution		1,015	–	–	1,015
Electricity transmission		502	–	–	502
Transfers of assets from customers		47	–	–	47
Supply of electricity		–	–	3,299	3,299
Supply of gas		–	–	1,388	1,388
Other		–	43	41	84
		1,564	43	4,728	6,335
Revenue arising from contracts in scope of IAS 20:					
CfD		–	230	–	230
Other	(i)	–	–	(23)	(23)
		–	230	(23)	207
Revenue arising from contracts in scope of IFRS 9:					
Derivative income		–	(22)	63	41
		1,564	251	4,768	6,583

(i) Other revenue arising from contracts in scope of IAS 20 in the current and prior year primarily relates to final actualisation of the now closed UK Government Energy Price Guarantee (“EPG”) scheme. The EPG scheme commenced on 1 October 2022 and ran until 31 March 2024. It required suppliers to charge a reduced tariff to domestic customers where their contractual tariff exceeded a government-set rate. The scheme was considered to be a government grant with the income received being recognised in line with the energy consumption by each eligible customer throughout the scheme period.

Revenue recognition accounting policies for the above disclosed revenue streams are disclosed at Notes 4I3 and 4M. All revenue arises from operations within the UK and Republic of Ireland. Revenue from outside the UK is not deemed material enough to warrant separate disclosure.

(b) Contract balances

	Notes	31 December 2025 £m	31 December 2024 £m	31 December 2023 £m
Receivables	(i), (ii)	1,026	931	1,172
Contract liabilities	(iii), (iv)	(2,361)	(2,075)	(2,266)

(i) Included within Trade and other receivables (refer to Note 11).

(ii) £128 million (2024 £109 million) of net expected credit losses on trade and other receivables were recognised during the year on receivables arising from the Group’s contracts with customers.

(iii) Contract liabilities comprises the entire balance of deferred income (refer to Note 14) with the remainder included within Trade and other payables (refer Note 18).

(iv) The amount of contract liabilities recognised as revenue in the year is £303 million (2024 £553 million). The remaining movement in contract liabilities relates to new liabilities recognised in the year.

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

21 EMPLOYEE INFORMATION – GROUP AND COMPANY

(a) Staff costs – Group

	Note	Group	
		2025 £m	2024 £m
Wages and salaries		629	422
Social security costs		77	45
Pension and other costs	(i)	107	40
		813	507
Capitalised staff costs		(377)	(231)
		436	276

(i) Pension and other costs in the year ended 31 December 2024 includes a credit of £30 million past service costs in relation to Manweb best endeavours. Refer to Note 8 for further information.

(b) Employee numbers – Group and Company

The average numbers of employees (full and part-time) employed by the Group, including UK-based directors, are set out below. The Company has no employees and it is not the sponsoring company of any of ScottishPower's retirement benefit schemes. Directors are remunerated by other Iberdrola Group companies. Details of directors remuneration are set out in Note 31(d).

	Note	2025	2024
Energy Networks	(i)	6,728	3,834
Renewable production		931	915
Customer business		1,074	1,076
Corporate		604	586
		9,337	6,411

(i) The significant increase in the average number of employees in the Energy Networks segment for the year is primarily attributable to the acquisition of the ENWH Group (refer to Note 9A5.1 for further information).

22 TAXES OTHER THAN INCOME TAX – GROUP

	Notes	2025 £m	2024 £m
Property taxes		172	141
Other taxes	(a)	217	229
Electricity Generator Levy	(b)	14	130
		403	500

(a) Other taxes mainly comprises obligations specific to the energy industry, principally ECO scheme and Warm Home Discount scheme.

(b) The EGL is currently a 45% charge on exceptional receipts generated from low-carbon UK power generation meeting certain conditions.

23 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS – GROUP

	2025 £m	2024 £m
Property, plant and equipment depreciation charge	732	618
Right-of-use asset depreciation charge	45	43
Intangible asset amortisation charge	113	93
Charges and provisions, allowances and impairment of assets	106	45
	996	799
Capitalised right-of-use asset depreciation	(9)	(9)
	987	790

24 FINANCE INCOME – GROUP

	Note	2025 £m	2024 £m
Interest on bank and other deposits		18	30
Interest receivable from related parties		18	–
Net interest on retirement benefit obligations		11	10
Foreign exchange gains		6	1
Fair value and other gains on non-hedging derivatives		33	10
Gain on settlement of interest rate swap	(a)	257	–
		343	51

(a) The gain on settlement comprises £264 million released from the Cash flow hedge reserve, offset by a £7 million loss recognised following hedge de-designation.

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

25 FINANCE COSTS – GROUP

	Note	2025 £m	2024 £m
Interest on bank loans and overdrafts		12	1
Interest on amounts due to related parties		390	358
Interest on other borrowings		163	82
Unwinding of discount on provisions		13	11
Unwinding of discount on software license liabilities		1	1
Interest on lease liabilities		22	21
Foreign exchange losses		8	–
Fair value on EA3HL contingent consideration		11	–
Fair value and other losses on non-hedging derivatives		42	12
		662	486
Capitalised interest	(a)	(119)	(115)
		543	371

(a) The tax relief on the capitalised interest for the year ended 31 December 2025 was £30 million (2024 £29 million).

26 INCOME TAX – GROUP

(a) Income tax for the year

	2025 £m	2024 £m
Current tax:		
UK Corporation Tax charge on profits for the year	195	267
Adjustments in respect of prior years	(19)	(6)
Current tax for the year	176	261
Deferred tax:		
Origination and reversal of temporary differences	252	179
Adjustments in respect of prior years	14	11
Deferred tax for the year	266	190
Income tax expense for the year	442	451

The tax charge on profit on ordinary activities for the year varied from the standard rate of UK Corporation Tax applicable to Group companies as follows:

	2025 £m	2024 £m
Corporation Tax at 25%	517	405
Adjustments in respect of prior years	(5)	5
Impact of tax rate change on current year charge	4	1
Non-deductible expenses on disposal of subsidiaries	(115)	–
Non-deductible expenses and other permanent differences	41	40
Income tax expense for the year	442	451

Comparison of UK Corporation Tax charge and payments

	2025 £m	2024 £m
UK Corporation Tax charge on profits for the year	195	267
UK Corporation Tax in the Statement of cash flows	176	255
Current tax (liability)/asset recognised in the Statement of financial position	(12)	13

The amount of Corporation Tax paid in the year, shown in the Consolidated statement of cash flows, and the amount of the Corporation Tax charge for the year are not the same. The four installment payments that are required during the year are based on forecasts of the total Corporation Tax charged in the Consolidated income statement and the Consolidated statement of comprehensive income. In addition, the amount in the Consolidated statement of cash flows also includes any refunds received or payments made relating to Corporation Tax liabilities of prior years.

(b) Pillar Two model rules

The ultimate parent company of the Group is Iberdrola, S.A., a company based in Spain. Iberdrola is the parent company of a global group within the scope of the Organisation for Economic Co-operation and Development's Pillar Two model rules and is therefore responsible for calculating the multinational top-up tax for the Iberdrola Group. The Group is not within the scope of multi-national top-up tax.

The UK has enacted legislation to incorporate the Pillar Two model rules with effect from 1 January 2024. This includes domestic top-up tax ("DTT") legislation. The UK companies in the Iberdrola Group are within the scope of the DTT legislation and an assessment has been undertaken to determine if there is a risk of exposure to UK DTT. Based on the prescribed rules in the Pillar Two legislation, the calculated UK effective tax rate is assessed to be above 15% and thus no UK DTT charge is expected.

The Group has applied the exception available in IAS 12 'Income Taxes: International Tax Reform – Pillar Two Model Rules' and has not recognised or disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes.

27 CASH FLOW INFORMATION – GROUP

Reconciliation of movements of liabilities to cash flows arising from financing activities

Notes	Lease liabilities £m	Loans and other borrowings (Non-current) £m	Loans and other borrowings (Current) £m	Other financial liabilities £m	Total £m
At 1 January 2024	592	6,739	628	247	8,206
Movement in amounts due to related parties	–	1,415	892	–	2,307
Repayments of external loans and other borrowings	–	–	(398)	–	(398)
Payments of other financial liabilities	–	–	–	(7)	(7)
Payments of lease liabilities	(34)	–	–	–	(34)
Interest paid	(20)	–	(433)	–	(453)
Total movements from financing cash flows (i)	(54)	1,415	61	(7)	1,415
Transfer from non-current to current	–	(690)	690	–	–
Other movements	83	(6)	440	(138)	379
Total liability-related movements (ii)	83	(696)	1,130	(138)	379
At 31 December 2024 and 1 January 2025	621	7,458	1,819	102	10,000
Movement in amounts due to related parties	–	600	(1,551)	–	(951)
Cash inflows from external loans and other borrowings	–	–	2,200	–	2,200
Repayments of external loans and other borrowings	–	–	(7)	–	(7)
Payments of other financial liabilities	–	–	–	(6)	(6)
Payments of lease liabilities	(45)	–	–	–	(45)
Interest paid	(24)	–	(565)	–	(589)
Total movements from financing cash flows (i)	(69)	600	77	(6)	602
Total liability-related movements (ii)	75	1,156	(803)	66	494
At 31 December 2025	627	9,214	1,093	162	11,096

(i) Total movements from financing cash flows do not include financing cash flows relating to Equity or Derivative assets. Cash flows not included relate to dividends paid, share capital issued and settlement of derivatives.

(ii) Total liability-related movements includes non-cash movements including accrued interest expense and the acquisition of lease liabilities and other financial liabilities in respect of confirming arrangements and software license liabilities.

28 DIVIDENDS – GROUP AND COMPANY

	2025 pence per ordinary share	2024 pence per ordinary share	2025 £m	2024 £m
Interim dividend paid	6	5	450	350

Dividends are paid on an apportioned and pro rata basis according to the amounts paid up on the shares during the period in which the dividend is paid. The dividend per share, as disclosed above, represents the dividend payable on ordinary shares of 42p each. The dividend per ordinary share of 42/2907p each amounted to 0.0022p per share (2024 0.0017p per share).

29 CONTINGENT LIABILITIES – GROUP

From time to time, regulators, including Ofgem and the Health and Safety Executive, open inquiries with the Group in relation to compliance with licenses, laws and regulations. ScottishPower's businesses are also party to various other legal claims, actions and complaints, certain of which may involve material amounts.

Where the outflow of resources is considered probable, and a reasonable estimate can be made of the amount of the present obligation, a provision is recognised for these amounts (refer to Note 15). Where an outflow is not probable, but is possible, or a reasonable estimate of the present obligations cannot be made, a contingent liability exists. The Group currently believes that resolution of these matters will not have a materially adverse effect on the Consolidated accounts.

30 COMMITMENTS – GROUP

	2025			2024		
	Capital £m	Long-term energy purchase contracts (Note (a)) £m	Other £m	Capital £m	Long-term energy purchase contracts (Note (a)) £m	Other £m
Less than one year	1,838	1,002	508	2,110	1,237	410
One to two years	792	42	380	2,256	56	497
Two to three years	1,052	1	154	691	2	165
Three to four years	104	–	61	283	–	216
Four to five years	78	–	44	96	–	53
More than five years	–	–	320	–	–	200
	3,864	1,045	1,467	5,436	1,295	1,541

(a) Long-term energy purchase contracts are used as part of the Group's energy resource portfolio. The Group manages its energy resource requirements by integrating long-term firm, short-term and spot market purchases with its own generating resources to manage volume and price volatility and maximise value across the energy value chain.

31 RELATED PARTY TRANSACTIONS – GROUP AND COMPANY

(a) Transactions and balances arising in the normal course of business – Group

	2025					2024				
	Ultimate parent (Iberdrola, S.A.) £m	Immediate parent (SPW Investments Limited) £m	Other Iberdrola Group companies £m	Joint ventures £m	Associates £m	Ultimate parent (Iberdrola, S.A.) £m	Immediate parent (SPW Investments Limited) £m	Other Iberdrola Group companies £m	Joint ventures £m	Associates £m
Types of transaction										
Sales and rendering of services	–	–	17	18	–	–	–	20	1	–
Purchases and receipt of services	(58)	–	(32)	(14)	(4)	(52)	–	(21)	(14)	(34)
Finance income (excluding non-hedging derivatives)	–	–	18	–	–	–	–	–	–	–
Finance costs (excluding non-hedging derivatives)	–	(3)	(387)	–	–	–	(4)	(354)	–	–
Net gains/(losses) on non-hedging derivatives	7	–	(7)	(1)	–	1	–	–	–	–
Changes in the value of cash flow hedges	(1)	–	56	–	–	(8)	–	104	–	–
Dividends paid	–	(450)	–	–	–	–	(350)	–	–	–
Balances outstanding										
Trade and other receivables	1	–	16	12	–	–	–	20	2	–
Loans and interest receivable	–	–	740	–	–	–	–	–	–	–
Derivative financial assets	4	–	34	8	–	–	–	243	–	–
Trade and other payables	–	–	(2)	(3)	–	–	–	(1)	(2)	(2)
Loans and interest payable	–	(36)	(7,007)	(3)	–	–	(138)	(7,863)	(3)	–
Derivative financial liabilities	(1)	–	–	–	–	(10)	–	–	–	–

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received in relation to inter-group transactions.

Transactions and outstanding balances with post employment benefit plans

During the current and prior year, the Group undertook related party transactions with the post-employment benefit plans it participates in for the benefit of its employees. These comprise the SPPS, Manweb, and ENW ESPS defined benefit plans, and the Iberdrola Group (UK) Stakeholder Pension Plan and LifeSight Master Trust, both of which are defined contribution plans. The Group also settled certain liabilities on behalf of the SPPS and Manweb plans. More information regarding the nature of the relationship between the Group and the plans is provided at Note 8.

Transactions taking place between the Group and the defined benefit plans in the year were as follows: contributions paid of £64 million (2024 £100 million), administration expenses and recharges paid of £3 million (2024 £11 million), and the Group paid £2 million (2024 £3 million) to external parties on behalf of the SPPS and Manweb Plans (including annual levies and insurance premiums for death in service cover).

Transactions taking place between the Group and the defined contribution plans in the year consisted of contributions paid of £40 million (2024 £25 million).

The Group had no outstanding balances due to, or from, the plans at the end of the current or the prior year.

(b) Transactions and balances arising in the normal course of business (excluding wholly-owned subsidiaries of Iberdrola, S.A.) – Company

	2025 Subsidiary companies £m	2025 Joint Venture £m	2024 Subsidiary companies £m
Types of transaction			
Finance costs (excluding non-hedging derivatives)	–	–	3
Net losses on non-hedging derivatives	–	(1)	–
Balances outstanding			
Trade and other receivables	1	–	1
Derivative financial assets	–	8	–
Trade and other payables	(1)	–	(1)
Loans and interest payable	(3)	–	(4)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given in respect of inter-group transactions.

(c) Remuneration of key management personnel – Group

The remuneration of the key management personnel of the Group is set out below. The remuneration of all ten (2024 eleven) key management personnel who served during the year is included within staff costs at Note 21 (a).

	2025 £m	2024 £m
Short-term employee benefits	4.1	4.1
Post-employment benefits	0.5	0.3
Share-based payments	4.4	3.5
	9.0	7.9

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

31 RELATED PARTY TRANSACTIONS – GROUP AND COMPANY *continued*

(d) Directors' remuneration – Group and Company

The remuneration of the directors who provided qualifying services is set out below. All of the directors were paid by other Group companies during both years.

	2025 £000	2024 £000
Aggregate remuneration in respect of qualifying services	1,560	1,670
Number of directors who exercised share options	1	1
Number of directors who received shares under a long-term incentive scheme	1	1

Highest paid director	2025 £000	2024 £000
Aggregate remuneration	1,182	1,220
Accrued pension benefit	79	76

- (i) The highest paid director received a benefit under a long-term share incentive scheme in both years.
 (ii) The highest paid director exercised share options in both years.

(e) Immediate and ultimate parent company – Group and Company

The immediate parent company is SPW Investments Limited. The registered office of SPW Investments Limited is 320 St. Vincent Street, Glasgow, Scotland, G2 5AD.

The directors regard Iberdrola, S.A. (incorporated in Spain) as the ultimate parent company, which is also the parent company of the smallest and largest group in which the results of the Company are consolidated. Copies of the consolidated accounts of Iberdrola, S.A. may be obtained from its registered office at Iberdrola, S.A., Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain.

In addition to the parent undertakings disclosed above, the Group's other related undertakings are disclosed in Appendix 1.

32 AUDITOR'S REMUNERATION – GROUP AND COMPANY

	Notes	2025 £m	2024 £m
Audit of the Consolidated and Company annual accounts	(a)	0.3	0.3
Audit of the Company's subsidiaries pursuant to legislation		5.0	4.2
Audit of the Group's pension schemes pursuant to legislation	(b)	0.2	0.2
Audit fees		5.5	4.7
Audit-related assurance services		0.1	0.1
		5.6	4.8

- (a) Auditor remuneration is billed on a group basis and not recharged to the Company. Of the total Group audit fee for the year ended 31 December 2025, £0.1 million (2024 £0.1 million) related to the audit of the Company accounts.
 (b) The Group's pension schemes paid the fees of £0.2 million (2024 £0.2 million) relating to their audit.

SCOTTISH POWER LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2025

APPENDIX 1: SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES – GROUP AND COMPANY

The table below sets out details of the subsidiaries, joint arrangements and associates of the Group and the Company at 31 December 2025. All entities are indirect holdings of the Company unless specified.

Name	Principal activities	Registered office and country of incorporation (Note (xiii))	Effective shareholding	
			2025	2024
Corporate				
Subsidiary				
Scottish Power UK plc	Holding company	(A)	100% (i)	100%
Sphere Energy Connect Limited	Development of independent distribution network company	(A)	100% (iii)	100%
Energy Networks				
Subsidiaries				
Scottish Power Energy Networks Holdings Limited	Holding company	(A)	100%	100%
Class Electricity Limited	Dormant	(B)	88% (iii)	88%
Derryherk Limited	Provision of network software services	(A)	100% (iv)	100%
Electricity North East (Construction and Maintenance) Limited	Dormant	(B)	88% (iii)	88%
Electricity North West (Construction and Maintenance) Limited	Construction, operation and maintenance of network	(B)	88% (iii)	88%
Electricity North West (ESPS) Pensions Trustees Limited	Dormant	(B)	88% (iii)	88%
Electricity North West (Holdings) Limited (formerly North West Electricity Networks (Jersey) Limited)	Holding company	(C)	88% (iii)	88%
Electricity North West Limited	Ownership and operation of network in the North West of England	(B)	88% (iii)	88%
Electricity North West Number 1 Company Limited	Dormant	(B)	88% (iii)	88%
Electricity North West Property Limited	Development of intellectual property rights	(B)	88% (iii)	88%
Electricity North West Services Limited	Metering and ground maintenance activities	(B)	88% (iii)	88%
ENW Capital Finance plc	Financing company	(B)	88% (iii)	88%
ENW Finance plc	Financing company	(B)	88% (iii)	88%
North West Electricity Networks (Finance) Limited	Holding company	(B)	88% (iii)	88%
North West Electricity Networks (Holdings) Limited	Holding company	(B)	88% (iii)	88%
North West Electricity Networks plc	Financing company	(B)	88% (iii)	88%
North West Electricity Networks (UK) Limited	Holding company	(B)	88% (iii)	88%
NWEN Finance plc	Financing company	(B)	88% (iii)	88%
NWEN Group Limited	Holding company	(B)	88% (iii)	88%
SP Distribution plc	Ownership and operation of distribution network within the Central Belt and Southern Scotland area	(A)	100%	100%
SP Manweb plc	Ownership and operation of distribution network within Cheshire, Merseyside, North Shropshire and North Wales area	(D)	100%	100%
SP Power Systems Limited	Provision of asset management services	(A)	100%	100%
SP Transmission plc	Ownership and operation of transmission network within the Central Belt and Southern Scotland area	(A)	100%	100%
Joint venture				
NGET/SPT Upgrades Limited	Operation of offshore HVDC Transmission link	(E)	50% (v)	50%
Joint operations				
Eastern Green Link 1 Limited	Development and construction of offshore HVDC Transmission link	(E)	50% (v)	50%
Eastern Green Link 4 Limited	Development of offshore HVDC Transmission link	(E)	50% (v),(vi)	–
Associate				
Steel River Power Limited	Development of a private wire distribution network North East England	(F)	44% (iii)	44%

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

APPENDIX 1: SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES – GROUP AND COMPANY *continued*

Name	Principal activities	Registered office and country of incorporation (Note (xiii))	Effective shareholding	
			2025	2024
Renewable production				
Subsidiaries				
ScottishPower Renewable Energy Limited	Holding company	(A)	100%	100%
Blaenau Gwent Solar Limited	Development of a solar farm	(G)	100%	100%
Bryn Henllys SF Limited	Development of a solar farm	(G)	100%	100%
Coldham Windfarm Limited	Operation of an onshore wind farm	(D)	80%	80%
Cumberhead West Wind Farm Ltd.	Development and construction of an onshore wind farm	(A)	100%	100%
Douglas West Extension Limited	Development of an onshore wind farm	(A)	– (vii)	–
Down Barn Farm SF Limited	Development of a solar farm	(G)	100%	100%
East Anglia One Limited	Operation of an offshore wind farm	(H)	60%	60%
East Anglia One North Limited	Development of an offshore wind farm	(H)	100%	100%
East Anglia Two Limited	Development and construction of an offshore wind farm	(H)	100%	100%
Grafton Underwood Solar Limited	Development of a solar farm	(G)	100%	100%
Hagshaw Hill Repowering Ltd	Operation of an onshore wind farm	(A)	100%	100%
Longney Solar Limited	Development of a solar farm	(G)	100%	100%
MachairWind Limited	Development of an offshore wind farm	(A)	100%	100%
MarramWind Limited	Development of an offshore wind farm	(A)	100% (viii)	50%
Milltown Airfield Solar PV Limited	Development of a solar farm	(G)	100%	100%
Pipplepen Solar Limited	Development of a solar farm	(G)	100%	100%
Ranksborough Solar Limited	Development of a solar farm	(G)	100%	100%
ScottishPower Renewables (UK) Limited	Development, construction, operation and decommissioning of onshore wind farms	(I)	100%	100%
ScottishPower Renewables (WODS) Limited	Operation of an offshore wind farm	(A)	100%	100%
Sparrow Lodge Solar Limited	Development of a solar farm	(G)	100%	100%
Speyslaw Solar Limited	Development of a solar farm	(G)	100%	100%
Thurlaston Solar Limited	Development of a solar farm	(G)	100%	100%
Tuckey Farm Solar Limited	Development of a solar farm	(G)	100%	100%
Wood Lane Solar Limited	Development of a solar farm	(G)	100%	100%
Joint ventures				
CeltPower Limited	Operation of an onshore wind farm	(D)	50%	50%
East Anglia Offshore Wind Limited	Commercial operation of offshore meteorological mast	(H)	50%	50%
East Anglia Three Holdings Limited	Holding company	(H)	50% (ix)	100%
East Anglia Three Limited	Development and construction of an offshore wind farm	(H)	50% (ix)	100%
Morecambe Wind Limited	Provision of operational services	(J)	50%	50%
Joint operation				
CampionWind Limited	Development of an offshore wind farm	(K)	– (viii)	50%

SCOTTISH POWER LIMITED
 NOTES TO THE ACCOUNTS *continued*
 31 December 2025

APPENDIX 1: SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES – GROUP AND COMPANY *continued*

Name	Principal activities	Registered office and country of incorporation (Note (xiii))	Effective shareholding	
			2025	2024
Customer business				
Subsidiaries				
Scottish Power Retail Holdings Limited	Holding company	(A)	100%	100%
ScottishPower (DCL) Limited	Holding company	(D)	100%	100%
ScottishPower Energy Management (Agency) Limited	Agent for energy management activity of ScottishPower Energy Management Limited and Scottish Power UK plc	(A)	100%	100%
ScottishPower Energy Management Limited	Wholesale energy management company engaged in purchase and sale of electricity and gas	(A)	100%	100%
ScottishPower Energy Retail Limited	Supply of electricity and gas to domestic and business customers as well as Smart Solutions activities	(A)	100%	100%
ScottishPower Generation (Assets) Limited	Asset owning company	(A)	100%	100%
ScottishPower (SCPL) Limited	Holding company	(D)	100%	100%
SP Dataserve Limited	Data collection, data aggregation, meter operation and revenue protection	(A)	100%	100%
SP Green Hydrogen Limited	Development of green hydrogen facilities	(A)	100%	(x) 100%
MM6 Limited (Formerly SP Smart Meter Assets Limited)	Provider of smart meter assets and services	(L)	–	(xi) 100%
Dormant subsidiary now dissolved				
SP Network Connections Limited	Dissolved	(M)	–	(xii) –

- (i) The investment in this company is a direct shareholding of Scottish Power Limited.
- (ii) Sphere Energy Connect Limited was incorporated on 27 June 2024.
- (iii) On 22 October 2024, SPENH, a subsidiary of the Group, completed the acquisition of an 88% stake in the share capital of ENWH, which holds, directly and indirectly, 100% of the share capital in various entities in the ENWH Group. The Group's investment in ENWH and its subsidiaries and joint venture at 31 December 2024 was accounted for as investments in associates, pending regulatory clearance. Regulatory approval was granted on 20 March 2025, and from this date all entities in the ENWH Group have been accounted for as subsidiaries except for the investment in Steel River Power Limited which continues to be accounted for as an associate. Upon acquisition of the ENWH Group in 2024, all entities had a non-coterminous reporting date of 31 March. During 2025, the accounting reference date for all entities in the ENWH Group was changed to 31 December. Refer to Note 9A5.1 for further details.
- (iv) On 27 September 2024, SP Power Systems Ltd, a subsidiary of the Group, acquired 100% of the share capital of Derryherk Limited.
- (v) NGET, EGL1L, and EGL4L all have a non-coterminous reporting date of 31 March, which is a contractual obligation as agreed in NGET's joint operating agreement and EGL1L's and EGL4L's shareholders' agreements.
- (vi) On 23 May 2025, SPT, a subsidiary of the Group, acquired 50% of the share capital in EGL4L.
- (vii) On 2 February 2024, SPRUKL a subsidiary of the Group, sold its 72% holding in Douglas West Extension Limited.
- (viii) On 4 November 2025, SPRUKL acquired the remaining 50% shareholding in MWL and disposed of its 50% shareholding in CWL. Refer to Note 9A5.4 for further details.
- (ix) EA3HL was incorporated on 27 November 2024 and wholly-owned by SPRUKL. EA3L is wholly-owned by EA3HL. On 23 July 2025, SPRUKL disposed of 50% of its shareholding in EA3HL, resulting in a joint venture arrangement. Consequently, following this date, the Group now holds a 50% beneficial interest in EA3L, classifying it also as a joint venture. Refer to Note 9A5.2 for further details.
- (x) SP Green Hydrogen Limited was incorporated on 28 June 2024.
- (xi) On 9 September 2025, SPRH, a subsidiary of the Group, sold its entire 100% share capital in SPSMAL (subsequently renamed MM6 Limited). Refer to Note 9A5.3 for further details.
- (xii) SP Network Connections Limited was dissolved on 12 August 2024.
- (xiii) The registered offices of the subsidiaries, joint arrangements and associate are as listed below, along with their countries of incorporation. Where a company's registered office is in England, it is registered in England and Wales.
- | | |
|--|--|
| (A) 320 St. Vincent Street, Glasgow, G2 5AD, Scotland | (H) 3rd Floor, 1 Tudor Street, London, EC4Y 0AH, England |
| (B) Borron Street, Stockport, SK1 2JD, England | (I) The Soloist, 1 Lanyon Place, Belfast, BT1 3LP, Northern Ireland |
| (C) 44 Esplanade, St Helier, JE4 9WG, Jersey | (J) 5 Howick Place, London, SW1P 1WG, England |
| (D) 3 Prenton Way, Prenton, CH43 3ET, England | (K) 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland |
| (E) 1-3 Strand, London, WC2N 5EH, England | (L) The Auction Rooms, 22 Queen Street, Edinburgh, EH2 1JX, Scotland |
| (F) S R P House, Franklin Way, Middlesbrough, TS6 7RP, England | (M) Johnston Carmichael LLP, Birchin Court, 20 Birchin Lane, London, EC3V 9DU, England |
| (G) 4th Floor, 1 Tudor Street, London, EC4Y 0AH, England | |

For those entities incorporated in Scotland, Northern Ireland and England and Wales, the principal place of business is considered to be the UK; for all other entities, the country of incorporation is the principal place of business.

- (xiv) On 1 March 2026, SPUK purchased 100% of the share capital of eHeat Networks Limited for £1.

Scottish Power Limited

Registered office: 320 St. Vincent Street, Glasgow, Scotland, G2 5AD

Registered in Scotland: No. SC193794