



2023 Annual Activity Report

Scottish Power Limited Audit & Compliance
Committee

2023 Annual Activity Report

This is the annual report of the Scottish Power Limited Audit & Compliance Committee (the “**Committee**”) prepared in accordance with Article 5 of its Terms of Reference forming part of the Governance and Sustainability System of Scottish Power Limited (the “**Company**”).

This version of the report was produced by the Committee on 29th January 2024 and approved by the Company’s Board of Directors (the “**Board**”) on 14th February 2024.

Index

I. INTRODUCTION

II. COMPOSITION, MEETINGS, AND ATTENDANCE

III. COMMITTEE HIGHLIGHTS

IV. MAIN ACTIVITIES

- a. Internal Audit
- b. Internal Monitoring and Risk Management Systems
- c. Risk
- d. Audited Accounts
- e. Financial Information
- f. Non-Financial Information and Sustainable Development
- g. Compliance Unit
- h. Irregular and Improper Financial Conduct
- i. Related Party Transactions
- j. Special Purpose Vehicles and Tax Haven Companies
- k. Business Separation of Activities Compliance
- l. Tax Compliance
- m. Audit Committees of UK Subsidiaries

V. APPEARANCES

VI. TRAINING

VII. CONCLUSIONS

1. Introduction

In accordance with the Articles of Association of the Company, the Board originally established the Committee on 27th February 2009 as a permanent internal body with a non-executive, informative and consultative role as defined in its own regulations (its “**Terms of Reference**”), as updated from time to time and published at: www.scottishpower.com/pages/audit_and_compliance_committee.aspx.

Under its Terms of Reference, the Committee has powers and responsibilities to gather information, carry out assessments and present proposals to the Board within the scope of its activities, thereby providing assurance that the Board supervises the relevant activities of the Company and its Group (generally, “**ScottishPower**”). In particular, the Committee is responsible for assessing the ongoing effectiveness of ScottishPower’s risk management and internal control model, which provides assurance that ScottishPower’s management makes its decisions within the framework of the relevant guidelines and standards of the Company.

The defined functions and activities of the Committee take into account the fact that the Company is ultimately wholly owned by Iberdrola, S.A., a company listed in the Spanish stock markets (“**Iberdrola**”), and is Iberdrola’s designated country sub-holding company for owning the ScottishPower businesses in the UK. Within the context of the wider governance structure of the Iberdrola and ScottishPower Groups, the Committee operates as an autonomous body of the Board of Directors of the Company, whilst adhering to an established framework for reporting and collaboration with the Iberdrola, S.A. Audit and Risk Supervision Committee in accordance with each committee’s regulations.

Scottish Power Energy Networks Holdings Limited, an indirectly wholly-owned subsidiary of the Company, has its own audit & compliance committee (the “**SPENH Committee**”), which undertakes the role and function of the Committee as they relate to the regulated electricity distribution and transmission network businesses within ScottishPower. The relationship between the Committee and the SPENH Committee is governed by both committees’ terms of reference (including Article 6 of the Committee’s Terms of Reference).

2. Composition, Meetings, and Attendance

The Committee consists of the following members:

Member	Position	
<i>Iñigo Fernández de Mesa Vargas</i>	External, Non-Executive Member (Chairman)	(External Non-Executive Director of Scottish Power Limited)
<i>Daniel Alcaín López</i>	Internal, Non-Executive Member	(Internal, Non-Executive Director of Scottish Power Limited and Director of Control and Administration of Iberdrola, S.A.)
<i>Wendy Barnes</i>	External, Non-Executive Member	(External, Non-Executive Director of Scottish Power Limited)

All members of the Committee have relevant experience in accounting, financial and/or risk management as noted in their CVs (published at www.scottishpower.com/pages/audit_and_compliance_committee.aspx).

In 2023, the Committee met on 6 occasions and, pursuant to article 14(6) of its Terms of Reference, also passed seven sets of resolutions in writing outwith those meetings. In each case, the members of the Committee were provided with the information required to properly consider the topics raised.

The meetings of the Committee were convened in 2023 as follows:

Date	Location
9th February 2023	Glasgow in person & remotely by videoconference
13th February 2023	Glasgow in person
10th May 2023	Glasgow in person & remotely by videoconference
11th July 2023	Glasgow in person
4th October 2023	Glasgow in person & remotely by videoconference
12th December 2023	Glasgow in person

The attendance of Committee members during 2023 was as follows:

Member	Meetings attended
Íñigo Fernández de Mesa Vargas	Full attendance
Daniel Alcaín López	Full attendance
Wendy Barnes	Full attendance

3. Committee Highlights

Key statistics for 2023 were:







	<i>Occurance</i>
<i>Number of meetings</i>	6
<i>Number of written resolutions</i>	7
<i>Reports, Proposals and Updates to the Board</i>	26
<i>Internal Reports and Papers presented to the Committee (of which updates from the SPENH Committee)</i>	100 (14)
<i>Presentations/updates from the external auditor (KPMG)</i>	5

4. Main Activities

In 2023, the Committee carried out a number of activities in the discharge of its defined function and scope of review, with respect to the Company and the wider ScottishPower Group (with the exception of those functions carried out by the SPENH Committee for Scottish Power Energy Networks Holdings Limited and its subsidiaries).

The key functions of the Committee are listed below under the relevant headings, together with examples of the activities that the Committee undertook to discharge those functions.

A. Internal Audit

-  *Overseeing the independence and efficiency of the Internal Audit department (Internal Audit).*
-  *Approving the guidelines and annual action plans proposed by the Director of Internal Audit.*
-  *Proposing the Internal Audit budget for approval by the Board.*
-  *Overseeing the performance of the Director of Internal Audit.*
-  *Receiving regular information on the activities carried out by Internal Audit.*
-  *Ensuring that the managers of ScottishPower take into account the conclusions and recommendations in the reports of Internal Audit.*



The ScottishPower Director of Internal Audit presented a report to the Committee at its meeting on 9th February 2023, summarising the main activities and achievements of Internal Audit in 2022.








At every meeting in 2023, the Director of Internal Audit presented an update to the Committee on Internal Audit's activities, including the current status of management actions.

The Committee approved changes to the 2023 Internal Audit Annual Activities Plan on 10th May 2023, 11th July 2023, 4th October 2023, and 12th December 2023.

On 12th December 2023, the Committee approved the 2024 Internal Audit Annual Plan, the Director of Internal Audit's 2024 Objectives, and the proposed 2024 Internal Audit Annual Budget for approval by the Board. The annual budget includes the required level of resources to deliver the annual plan, as determined by the Director of Internal Audit. The 2024 Internal Audit Annual Plan was derived in accordance with the guidelines and general plans established by the Director of the Iberdrola Internal Audit department and ensures that activities are focused on ScottishPower's risks.

B. Internal Monitoring and Risk Management Systems

-  *Reviewing ScottishPower's internal control system, internal financial information process and internal risk monitoring and management systems.*
-  *Ensuring that the main risks of ScottishPower are identified, managed and adequately reported.*

-  *Ensuring the establishment of measures necessary to mitigate the impact of any risks identified and introducing information and internal monitoring systems which monitor and manage such risks, including contingent liabilities or off-balance sheet risks.*
-  *Analysing the relevant weaknesses of any internal control system that may have been detected in the course of the audit of ScottishPower.*
-  *Maintaining appropriate relationships with ScottishPower's Risk department and Compliance Unit.*
-  *Promoting a strategy in which risk is a key factor to be taken into account in all decisions and at all levels within ScottishPower.*
-  *Providing to the Board at least every six months a report on the internal control and risk management systems of ScottishPower.*
-  *Informing the Board of the main litigation matters relating to ScottishPower in order to identify the direct or indirect risks and contingent liabilities arising from existing claims and procedures.*
-  *Overseeing data protection and cybersecurity activities which are reportable to the Board.*

The ScottishPower UK Risk Director presented papers to the Committee on 9th February 2023, 10th May 2023, 11th July 2023, 4th October 2023, and 12th December 2023 providing an update on the performance against defined key limits and indicators, and the main risks facing ScottishPower.

On 9th February 2023 and 11th July 2023, the UK Risk Director presented to the Committee reports on Enterprise Risk Management which were approved by the Committee and presented to the Board.






On 10th May 2023, the UK Risk Director presented to the Committee the ScottishPower Risk Policies and Guidelines.

On 4th October 2023, the ScottishPower Data Protection Officer (“DPO”) provided the Committee an update on data protection. At the same meeting, the DPO presented a proposed update to the ScottishPower Data Protection Policy, which was subsequently approved by the Board.

The Committee received cybersecurity updates on 9th February 2023, 10th May 2023, 11th July 2023, 4th October 2023, and 12th December 2023 from the Chief Information Security Officer excluding July when the update was provided by the UK Security Director. The papers containing these updates were noted and presented to the Board.

On 4th October and 12th December, the SP Energy Networks CEO presented updates to the Committee on cybersecurity matters within SP Energy Networks.

C. Risk

-  *Overseeing the activities of the Risk department and ensuring its effectiveness.*
-  *Approving the Risk department's annual plan.*
-  *Proposing the Risk department's budget for approval by the Board.*
-  *Receiving regular information on the activities carried out by the Risk department.*
-  *Overseeing and assessing the performance of the Risk department and the UK Risk Director.*

On 9th February 2023, 10th May 2023, 11th July 2023, 4th October 2023 and 12th December 2023, the Committee received updates on the activities of the Risk department.

On 12th December 2023, the Committee approved the 2023 Risk department Activity Plan, Risk Director 2024 Objectives and proposed the 2024 Risk department's Budget for approval by the Board. The annual budget includes the required level of resources to deliver the annual plan, as determined by the ScottishPower UK Risk Director.

D. Audited Accounts

- 🔥 *Proposing to the Board the appointment and the terms of engagement of the Company's auditors, in accordance with the policy adopted by Company.*
- 🔥 *Reviewing the auditor's reports before they are issued, with a view to avoiding qualifications, where possible, in their preparation and assessing the results of each audit, overseeing the reply of the management of the Company to their recommendations.*
- 🔥 *Reporting on the independence of the Company's auditors, including receiving from ScottishPower's auditors, on an annual basis, a written confirmation of their independence, and issuing on an annual basis and prior to the issuance of the auditors' report, a report with an opinion on the independence of the auditors.*
- 🔥 *Receiving information on any non-audit services provided to ScottishPower and issue a report on the same to the Board.*
- 🔥 *Receiving information regularly from ScottishPower's auditors on any relevant legal issues and/or relevant audit practices in force from time to time.*
- 🔥 *Serving as a communication channel between the Board and the auditor.*

On 9th February 2023, the ScottishPower Director of Internal Audit presented a report to the Committee on the independence of the appointed external auditor (KPMG). The Committee noted that the external auditor had confirmed its independence in the letter sent to the Committee on 6th July 2022 and that during 2022 it had not reported any situation or risk that could affect its independence.

On 4th October 2023, the Director of Internal Audit presented the Update Report on ScottishPower's External Audit Fees for 2022. The Committee noted the report, approved them and agreed for presentation to the Board. The Committee approved the Proposal on the Terms of Engagement of the 2023 Statutory Audit on 21st April 2023 by way of written resolution and agreed that it be presented to the Board (whereupon the Board approved the re-appointment of its external auditor (KPMG) for the following year).

On 4th October 2023, the Committee considered and approved certain non-audit services to be carried out by the external auditor.

As part of the supervision of the auditing of the financial statements by the Committee representatives from the external auditor appeared before the Committee on 9th February 2023 and 13th February to present the document detailing the results of the external auditor's procedures over the consolidated financial statements of the Company to year end 31st December 2023. Further, representatives from the external auditor appeared before the Committee on 11th July 2023 to present the external auditor's interim review memorandum in respect of the interim financial statements of the Company for the six-month period ended 30th June 2023.

Representatives from the external auditor appeared before the Committee on 4th October 2023 and 12th December 2023 to present the Audit Plan and Strategy for the year ending 31st December 2023.

On 17th April 2023 the Committee passed a directors' written resolution which noted the extension to the audit report for the statutory accounts for the financial year ended 31st December 2022 of Scottish Power UK plc (a principal subsidiary of the Company), in accordance with audit requirements for public interest entities.

E. Financial Information

- Overseeing the preparation, presentation, clarity and accuracy of the financial information of ScottishPower.*
- Evaluating any proposal regarding any changes within the general accounting practices, policies and procedures of the Iberdrola Group as they relate to ScottishPower and submit proposals or recommendations to the Board.*
- Preparing a report for the Board on the annual and interim financial statements.*
- Gathering information on any adjustments to financial statements identified by the external auditor or resulting from the reviews carried out by Internal Audit, and ScottishPower's position on such adjustments.*
- Overseeing compliance with the legal requirements and the correct application of the national and international accounting and financial information principles and practices.*
- Informing the Board of the principles under which intragroup transactions have been carried out between any ScottishPower company and group affiliates.*

A key activity of the Committee is the periodic submission to the Board of its reports on the approval of the year end and interim financial information of ScottishPower. The Committee approved four reports for the Board, specifically the:

- Report approved on 13th February 2023 in relation to Year End 2022 Financial Information;
- Report approved on 20th April 2023 in relation to Q1 2023 Financial Information;
- Report approved on 11th July 2023 in relation to H1 2023 Financial Information; and
- Report approved on 4th October 2023 in relation to Q3 2022 Financial Information.

These four reports provided the Board with an opinion on: (i) changes to the accounting policies and practices from those adopted in the 2022 consolidated annual accounts of the Iberdrola Group; and (ii) potential risks and sources of uncertainty in the accounting policies and practices adopted with potentially significant impacts to the 2023 consolidated annual accounts.

At the Committee's meetings on 13th February 2023 and 11th July 2023, the ScottishPower Director of Internal Audit also provided assurance on the processes relating to the preparation of the financial information for the 2022 year-end and the first half of 2023 in ensuring that all required reviews, guarantees and certification had been completed.

On 20th April, 11th July and 4th October 2023, the Committee passed written resolutions which approved and noted various matters in relation to the 2023 financial information for Q1, H1 and Q3 respectively.

During 2023, the ScottishPower Control and Administration Director presented to the Committee a quarterly update on financial performance. In addition, the external auditor presented its conclusions on the 2022 statutory audit; conclusions on its H1 2023 review; and its audit plan and strategy for the year-end audit.

On 4th October 2023 the Committee reviewed the 2023 list of intercompany contracts for the ScottishPower Group together with the standards and principles upon which those transactions were based and informed the Board of the same on 4th October 2023.

During 2023, the ScottishPower Customer CEO provided an update on the Customer business including customer debt, operational metrics and UK market dynamics on 9th February, 10th May and 11th July.









F. Non-financial Information and Sustainable Development

-  *Supervising the preparation and presentation process (including clarity and integrity) of the non-financial information of the ScottishPower Group and reporting the same to the Audit and Risk Supervising Committee of Iberdrola, and the Board, where required.*
-  *Supervising the sustainable development activities of the Company and whether they confirm to the Iberdrola Group's global strategy and reporting the same to the Board.*

On 8th February 2023, the Committee reviewed the annual preparation and presentation process of the 2022 Non-Financial Information of ScottishPower and approved its report for the Board in relation to the same.

On 12th December 2023 the Committee received an update on Sustainable Development activities (including the Sustainable Development Strategy, Science Based Targets, and TCFD reporting). This update was subsequently submitted to the Board.

G. Compliance Unit (formerly compliance division)*

-  *Approving the members of the Compliance Unit, reviewing and validating its annual budget prior to its submission to the Board for approval.*
-  *Approving the annual activity plan for the Compliance Unit.*
-  *Receiving information from the Compliance Unit in connection with any matter relating to regulatory compliance and the prevention and correction of improper or illegal conduct.*
-  *Receiving information from the Compliance Unit on matters relating to the effectiveness of the Company's Compliance System.*
-  *Having the Compliance Unit review the internal policies and procedures of ScottishPower to prevent improper conduct and identify any policies or procedures that might be more effective at promoting the highest ethical standards.*
-  *Reporting to the Board on any proposed amendment to the Compliance Unit Regulations.*
-  *Opining on the Compliance Unit's compliance with its annual activities plan, and its performance, and that of the Chief Compliance Officer (**Compliance Director**), prior to its submission to the Board.*
-  *Reviewing the status of compliance with laws, regulations and internal procedures and the scope and status of systems designed to promote ScottishPower's compliance with laws, regulations and internal procedures.*

* The Compliance Division of the Company was re-established as the Company's Compliance Unit (continuing the functions of the former division) in accordance with resolutions of the Scottish Power Limited Board made on 11th July and 18th October 2023. The initial composition of the Compliance Unit were approved by the Board on 18th October 2023.

On 9th February 2023, 4th May 2023, 11th July 2023, and 4th October 2023, the ScottishPower Compliance Director presented a report to the Committee to update on the Compliance Unit's activities for Q4 2022, Q1 2023, Q2 2023, and Q3 2023 respectively.

On 5th December 2023, the Compliance Director presented the 2024 Compliance Unit's Activity Plan and the Compliance Unit's 2024 Annual Budget. The Committee approved the plan and proposed the budget for approval by the Board.

On 9th February 2023, the Compliance Director presented a report on the effectiveness of the ScottishPower Compliance System to the Committee.

On 9th February 2023, the Committee's Secretary presented a Governance System Evaluation Report delivered by PwC evaluating the governing bodies of the country subholding and heads of business companies of the Iberdrola Group for 2023. This included an evaluation of the Board's and Committee's compliance with the requirements of the Company's Governance and Sustainability System, such as it is formulated in the context of the Iberdrola Group. The Committee approved the relevant areas of the report as it applied to the Committee, and agreed that a copy of the report would be sent to the Board Secretary.

On 10th May 2023, the Compliance Director presented an update on the effectiveness of the 2022 Crime Risk Mitigation Programme.

On 11th July 2023, the Committee noted the Compliance Unit's Compliance System Transparency Report, which was subsequently approved by the Board and published on the Company's website at www.scottishpower.com/pages/ethics_and_transparency.aspx. Further, on 11th July 2023, the Compliance Director presented various policy updates to the Committee which were subsequently approved by the Board. These were the ScottishPower Policies on Anti-Bribery and Corruption, Business Separation, Modern Slavery and Competition Law Compliance.

On 4th October 2023, the Compliance Director presented the results of the 2023 Fraud, Bribery and Corruption Risk Assessment. Separately, the Compliance Director presented proposed updates to the ScottishPower Code of Conduct and Disciplinary Rules which were subsequently approved by the Board.

On 12th December 2023, the Committee approved the 2024 Compliance Unit Activity Plan, Compliance Director 2024 Objectives and proposed the Compliance Unit 2024 Annual Budget for approval by the Board. The annual budget includes the required level of resources to deliver the annual plan, as determined by the Compliance Director.

H. Irregular and Improper Financial Conduct

- To review complaints or reports submitted through relevant reporting channels that might have a material impact on the financial statements of internal controls of the Company, and propose appropriate actions to mitigate or reduce the risk of future occurrences of the same.*

On 4th October 2023, the ScottishPower General Counsel and Secretary to the Board provided a report for the Committee on Legal Claims and Regulatory Investigations. The aim of this report is to provide the Committee with an update on the status of major legal claims and regulatory investigations and potential legal risks affecting ScottishPower.

I. Related Party Transactions

- Reporting on Related Party Transactions prior to approval by the Company's sole shareholder or Board.*
- Ensuring Related Party Transactions are fair and reasonable to the Company.*
- Verifying the fairness and transparency of a Related Party Transaction where the approval of it had been given without a prior report of the Committee.*
- Preparing a report on the Company's Related Party Transactions, to which the Committee issued a report, for the previous financial year, within six months of the end of that financial year.*
- Informing the sole shareholder of the Company of Related Party Transactions affecting a specific class of director.*

On 9th February 2023, the ScottishPower Compliance Director presented a report for the Committee on Related Party Transactions which was approved by the Committee and presented to the Board.





On 12th December 2023, the Compliance Director presented a Compliance Policy Review of the Related Parties Procedure with the proposed changes noted by the Committee and presented to the Board.

J. Special Purpose Vehicles and Tax Haven Companies

- Informing the Board prior to adoption of any decision on the creation or acquisition of holdings in special purpose vehicles ("SPEs") or in entities domiciled in countries or territories which are considered tax havens ("THEs"), and of any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the Iberdrola group.*
- Producing for the Board a report on the monitoring of SPEs and THEs.*

On 11th July 2023, the ScottishPower General Counsel and Secretary to the Board presented a report for the Committee on the ScottishPower Group Structure and Special Purpose Vehicles ("SPVs"), which detailed changes since July 2022 with respect to ScottishPower Group structure and progress with its liquidations programme. The General Counsel and Secretary to the Board further presented a monitoring report on SPVs, noting that there were no special purpose entities or entities registered in tax havens (as defined) within ScottishPower and that all such entities have either been previously put into liquidation or sold.

K. Business Separation of Activities Compliance



-  *Giving its opinion and noting on an annual basis the Compliance Report on Business Separation focusing on the effectiveness of the practices, procedures, and systems adopted in accordance with applicable regulatory requirements of ScottishPower.*
-  *Overseeing any regulated activities business separation report of ScottishPower.*
-  *Informing the Board in advance of any changes to the business separation regulatory requirements applicable to ScottishPower.*
-  *Considering the suitability and informing the Board in advance about proposed director appointments and removals to any regulated business subsidiaries of ScottishPower in order to protect the effective independence of the regulated companies.*

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

On 19th January 2023, the Committee considered the suitability of a proposed director appointment to a UK regulated business subsidiary and approved its report on the same to be sent to the Board.

On 11th July 2023, the ScottishPower Compliance Director presented the Chief Compliance Officer Report on Business Separation 2022/23 which was noted by the Committee and authorised its submission to the Board.


L. Tax Compliance

-  *Reporting to the Board the level of compliance with the Iberdrola Corporate Tax Policy and tax criteria used during the relevant financial year.*
-  *Endorsing any specific tax strategy of ScottishPower which may be required in the UK.*

On 9th February 2023, the ScottishPower UK Group Tax Director presented a report on the Degree of Compliance with the Corporate Tax Policy and the Committee approved its report for the Board in relation to the same.

On 4th October 2023, the ScottishPower UK Group Tax Director presented a report on the Tax Strategy 2023 and the Committee approved the Tax Strategy for the Board to note.

M. Audit Committees of UK Subsidiaries

-  *Coordinating activities and sharing information with the audit and compliance committees that exist in the group companies controlled by ScottishPower (i.e. the SPENH Committee), through the chairs of the audit and compliance committees of the Company and each subsidiary in question with the purpose of informing the Committee of any subsidiary matters that might have*

a significant impact at group level in the UK, all in accordance with applicable legislation and regulations on the separation of regulated activities.

The Committee Secretary, supported by the ScottishPower Director of Internal Audit, presented to the Committee for noting certain reports of the SPENH Committee, as received from the SPENH Committee's Secretary throughout the year as part of coordinating and sharing information between the respective committees, as appropriate under their respective terms of reference.

5. Appearances

In 2023, the following officers or representatives appeared before the Committee:

<i>Title</i>	<i>Attendance</i>
<i>Committee Secretary</i>	Full attendance
<i>Director of Internal Audit</i>	Full attendance
<i>Control and Administration Director</i>	Full attendance
<i>Compliance Director (Chief Compliance Officer)</i>	Full attendance
<i>UK Risk Director</i>	Full attendance
<i>UK Group Tax Director</i>	9 th February and 4 th October 2023
<i>Director of ScottishPower Group CEO Office</i>	9 th February and 12 th December 2023
<i>General Counsel and Secretary to the Board</i>	11 th July and 4 th October 2023
<i>Chief Information Security Officer</i>	9 th February, 10 th May, 4 th October and 12 th December 2023
<i>ScottishPower Data Protection Officer)</i>	4 th October 2023
<i>Customer Business CEO</i>	9 th February and 10 th May 2023
<i>Head of Climate Change & Sustainable Development</i>	12 th December 2023
<i>UK Security Director</i>	11 th July 2023
<i>SPEN CEO</i>	4 th October and 12 th December 2023

Representatives of the external auditor appeared before the Committee on 9th February, 13th February, 11th July, 4th October and 12th December 2023.

6. Training

During 2023, the Committee received briefings and training on a number of areas, including the following topics:

Date	Training Topic
<i>9th February and 10th May December 2023</i>	Customer and Wholesale Market dynamics
<i>10th May and 11th July 2023</i>	Modern Slavery
<i>4th October 2023</i>	Data Protection Regulatory Investigations
<i>9th February, 10th May, 11th July, 4th October & 12th December 2023</i>	Cyber Security
<i>12th December 2023</i>	Sustainable Development: ESG, the Science Based Targets initiative, and TCFD Whistleblowing

7. Conclusions

The Committee provided assurance to the Board throughout 2023 with the following being among its key activities:

- 🔥 **Internal Audit:** Continuous monitoring of Internal Audit activities (including 2023 objectives), approval of the 2024 Internal Audit Annual Activity Plan (including 2024 objectives) and proposal of the 2024 Annual Budget for approval by the Board.
- 🔥 **Internal Monitoring and Risk Management Systems:** Reviewing risk reporting, noting that risk limits and indicators did not report major risk issues and that the risks identified through the key risk reporting process are the major risks faced by the business.
- 🔥 **Risk:** Continuous monitoring of Risk department activities (including 2023 objectives), approval of the 2024 Risk department's Annual Activity Plan (including 2024 objectives) and proposal of the 2024 Annual Budget for approval by the Board.
- 🔥 **Audited Accounts:** Proposal of the terms of engagement and monitoring the independence of the external auditor.
- 🔥 **Financial Information:** Monitoring of financial information, noting that no ScottishPower company had qualified statutory accounts. This included changes in accounting policies and practices.
- 🔥 **Non-Financial Information:** Supervising the preparation and presentation (including the clarity and integrity) of the 2022 non-financial information.
- 🔥 **Compliance Unit:** Continuous monitoring of Compliance Unit activities (including Business Separation and 2023 objectives), approval of the 2024 Compliance Unit Activity Plan (including 2024 objectives), proposal of the 2024 Annual Budget for approval by the Board and level of compliance with Iberdrola Corporate Tax Policy.
- 🔥 **Irregular and Improper Financial Conduct:** Monitoring claims against the company noting that there are no material claims outstanding against ScottishPower.
- 🔥 **Related Party Transactions:** Supervising and monitoring any related party transactions.
- 🔥 **Special Purpose Entities and Tax Haven Entities:** Ensuring that no Special Purpose Entities or Entities Domiciled in Tax Havens are in existence or have been created within ScottishPower.
- 🔥 **Business Separation of Activities Compliance:** Monitoring business separation compliance

- 🔥 **Tax Policy Compliance:** Supervising UK tax strategy and monitoring compliance with group tax policies.
- 🔥 **Audit Committees of UK Subsidiaries:** Noting the reports of the SPENH Committee.
- 🔥 **Training:** Receiving briefings and training on a number of areas relevant to the Committee.

Consequently, the Committee was of the opinion that the requirements of its Terms of Reference had been adequately complied with and delivered.