



# **GOOD GOVERNANCE CODE**

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## INTRODUCTION

The governance of foundations requires the efficient use of their tangible and intangible assets to ensure that their foundational purposes are met.

Based on this premise, Scottish Power Foundation (the “Foundation”) believes in the importance of adopting good corporate governance practices as a requirement not only to properly achieve its foundational purposes but also to further its social function and transparency in its activities, thereby strengthening the recognition and trust of the communities in those regions in which it carries out its activities.

Therefore, the Board of Trustees approves this Good Governance Code of the Foundation (the “*Good Governance Code*”), which reflects recommendations on good governance for non-profit entities and on the principles of social responsibility of foundations.

The Foundation was incorporated on 14 March 2013, is registered as a company limited by guarantee with Companies House (company number SC445116), and is registered with the Office of the Scottish Charity Regulator as a Scottish charity (charity number SC043862). Scottish Power Foundation’s constitutional document is its Memorandum and Articles of Association (the “Articles”).

Article 19.2 of the Articles gives the Board of Trustees the power to interpret from time to time to adopt and make, alter or revoke, any governance documents of the Foundation and otherwise for the furtherance of the purposes for which the Foundation is established, provided that such documents are not contrary to the Articles. In the use of such power, the Board of Trustees, in order to improve and update the Foundation’s governance system, desires to create a Governance System that articulates a simple organizational structure that facilitates the presentation thereof to, and understanding thereof by, all those parties interested in furthering its purposes.

The Foundation’s governance system is structured around the Articles of Association and this Good Governance Code, which, together with Law, constitute its basic rules.

This Good Governance Code, which interprets and further complements the Articles of the Foundation in accordance with generally recognized principles, missions and values in the area of charitable entities, within the framework of its foundational purposes, and which is an instrument that serves as a guide for the trustees and other personnel providing their services at the Foundation to carry out their activities in conformance with such principles, mission and values.

## **PRELIMINARY TITLE**

### **Chapter I. Objects and principles**

#### **Article 1. Objects**

- 1 The Foundation's objects are specifically restricted to Charitable Purposes and, subject to that qualification, the objects for which the Foundation is established (the "Objects") are:
  - a) the advancement of education
  - b) the advancement of environmental protection or improvement, in particular, promotion, dissemination and support of knowledge, research and culture in their most varied forms, with a special focus on the development of and progress toward a sustainable energy model that respects the environment and biodiversity;
  - c) the advancement of the arts, heritage, culture or science, in particular;
    - o cultural initiatives for the promotion and support of scientific, technological dissemination and environmental protection activities, encouraging, in particular, the development of studies of all kinds in the areas of energy, biodiversity and environmental impact in general ;and
    - o in the areas of restoration, development and conservation of the cultural heritage, as well as the development of projects and activities to promote and disseminate art and culture, and to technically and financially support cultural and artistic activities carried out by public and private institutions;
  - d) the prevention or relief of poverty and the relief of those in need by reason of disability or other disadvantage, in particular, the development of initiatives to support social action in the areas of cooperation and solidarity in order to actively contribute to the improvement of the quality of life of the most underprivileged groups, through initiatives for the development of infrastructure and services that provide for their full social and labour integration, as well as professional training, insertion into the work force and the generation of employment opportunities for disadvantaged persons that allows for the creation of jobs for them, and ultimately, for the integration into the labour market;
  - e) the advancement of citizenship and community development.

## **Article 2. Principles**

- 1 The Foundation assumes a set of principles that state its commitment with respect to good governance. The pillars upon which its activities are based are the social responsibility of foundations and informational transparency.
- 2 The awareness, dissemination and implementation thereof serve as a guide for the activities of the members of the Board of Trustees, the director and other bodies and professionals making up the Foundation.
- 3 The principles are:
  - a) Principle of prudence in investments, which entails the optimization of its financial resources to achieve the foundational purposes.
  - b) Principle of transparency, which ensures equal opportunity in accessing the activities of the Foundation and entails the supply of clear information regarding the sources of its financing.
  - c) Principle of regulatory compliance, pursuant to which the Foundation will promote the achievement of its purposes within the framework of the strictest compliance with the law applicable from time to time and in each region.
  - d) Principle of proper operation of the Board of Trustees, which requires that the Foundation's highest governance body be made up of a number of members that ensures the efficient operation of the organization while also ensuring independent decision-making by the trustees.
  - e) Principle of planning and monitoring of specific activities, pursuant to which the Board of Trustees will approve the Foundation Action Plan setting forth the objects and activities that are expected to be developed in order to achieve the foundational purposes. The Board of Trustees will also articulate systems for the internal control and monitoring of the various activities that are implemented.

## **TITLE I. GOVERNANCE STRUCTURE**

### **Chapter I. Purpose**

#### **Article 3. Purpose**

1. This *Good Governance Code* is intended to develop and formalize the objects and principles that guide the actions of the members of the Board of Trustees and the Foundation's personnel in the planning and execution of all activities through which the purposes of the Foundation materialise.

2. This *Good Governance Code* is approved within the framework of the rule-making powers given by the Memorandum and Articles of Association of the Foundation to the Board of Trustees thereof, and includes the principal domestic and international recommendations on the good governance of charitable entities and on the principles of social responsibility of foundations.

## **Chapter II. Board of Trustees**

### **Article 4. Composition and Powers**

1. The Articles of the Foundation provide for the size, organization and operation of the Board of Trustees, which will ensure compliance with the Foundation's objects, direct and channel its strategy, and supervise its activities.
2. The Board of Trustees is the body that governs, represents and manages the Foundation. It is responsible for managing the property and rights making up its assets, fully ensuring the continued performance and usefulness thereof, in order to achieve the foundational purposes.
3. Within the limits set by the Articles, the Board of Trustees will be comprised of the number of members that ensures efficient operation of the organization while also assuring independent decision-making by the Trustees.
4. The Board of Trustees will have the powers attributed thereto by law and the Articles, and particularly the following:
  - a) To engage in all activities and adopt all kinds of resolutions that it deems necessary to properly carry out the management and governance of the Foundation, subject to the provisions of law.
  - b) To interpret and further develop any governance documents or appropriate supplemental rules and regulations, implementing internal rules regarding the structure, organisation and operation thereof.
  - c) To approve the annual financial statements and the Foundation Action Plan, and to supervise the implementation thereof.
  - d) To appoint and remove trustees, the Secretary of the Board of Trustees, and the executive officer of the Foundation, if any.

### **Article 5. Internal Organisation**

The Chairman of the Board of Trustees, elected by the Board of Trustees from among its members, shall also be the Chairman of the Foundation and shall be the highest representative of the Foundation before all persons, authorities and public or private institutions. The Board of Trustees may also appoint from among its members one or

more vicechairmen, who will perform the duties of the Chairman of the Foundation if the Chairman is absent or ill, or by delegation there from.

#### **Article 6. Operation**

1. The Board of Trustees shall meet at least two times per year. The first meeting shall take place within the first six months and shall be held for the purpose of, among other things, approving the annual financial statements. Another meeting shall be held during the last quarter to approve the plan of activities for the next fiscal year.
2. In addition to the two mandatory meetings provided for in the preceding section, the Board of Trustees may meet as many times as is required for the proper operation of the Foundation.
3. Meetings of the Board of Trustees shall be held at the registered office of the Foundation, or at the place set forth in the call to meeting. They may also be held at multiple sites connected to each other by systems that allow for the recognition and identification of the attendees, continuous communication between the attendees regardless of their location, and participation and voting, all in real time (including videoconference, remote attendance or any other similar systems).
4. The trustees must provide to the Foundation an email address as well as a mobile telephone number so that meetings of the Board of Trustees can be called by these channels if so decided and any relevant information can be provided thereto.

#### **Article 7. Adoption of Resolutions within the Board of Trustees**

1. In order for resolutions of the Board of Trustees to be valid, at least a majority of the members of the Board of Trustees must be present in person or by proxy.
2. The Trustees will do everything possible to attend meetings of the Board of Trustees, and if they cannot do so personally, they will give their proxy to another Trustee, to whom they must give appropriate instructions.
3. If deemed appropriate by the Chairman of the Board of Directors, and provided that no Trustee objects, the Board of Trustees may vote in writing without a meeting.
4. In the event of a tie, the Chairman of the Board of Trustees shall have the tie-breaking vote.

#### **Article 8. Consultative Bodies**

1. The Board of Trustees may approve the creation of other consultative support and advisory bodies.

2. The Board of Trustees if appropriate may create other control and supervisory bodies to assist in the performance of its duties with respect to the financial information of the Foundation, as well as to ensure compliance with legal and good governance requirements.

#### **Article 9. Executive officer**

The Board of Trustees may appoint an executive officer director of the Foundation for the management and administration of the Foundation.

#### **Article 10. Secretary of the Board of Trustees**

The Secretary of the Board of Trustees shall perform the duties established by law and in the Memorandum of the Foundation, and particularly the following:

- a) To attend to the legal and material formalities of the activities of the Board of Trustees and the delegated bodies thereof, to ensure compliance with the Memorandum and observance of the good governance principles and standards of this *Good Governance Code* and to bring proposals for the amendment hereof to the Board of Trustees.
- b) To generally channel the relations of the Board of Trustees with the Trustees in all matters relating to the operation thereof, pursuant to the instructions of the Chairman thereof.
- c) To process requests of the Trustees with respect to information and documentation on matters within the purview of the Board of Trustees.
- d) To ensure the transparency of the good governance information provided on the Founder's corporate website and on any social networks.

### **Chapter IV. Trustees**

#### **Article 11. Principles Governing the Holding of the Position of Trustee**

In the performance of the obligations arising from their position, Trustees must act in accordance with the following principles:

- a) Principle of integrity: entails acting loyally, honorably, in good faith, objectively, and at all times in line with the purposes of the Foundation.
- b) Principle of prudence: entails that in the performance of activities, a Trustee may not make any kind of investment of the Assets of the Foundations that involves a risk to the attainment of the foundational purposes.
- c) Principle of non-discrimination: requires no discrimination by reason of race, color, nationality, social origin, age, gender, marital status, sexual orientation, ideology, political opinions, religion or any other personal, physical or social status of the persons with whom a Trustee relates.

- d) Principle of transparency: requires the application thereof to any possible situations of conflicts of interest in which a Trustee may generally be involved vis-à-vis the interests of the Foundation, and especially with respect to the performance of specific activities of the Foundation.
- e) Principle of diligent and responsible compliance with the obligations inherent to the position: entails attendance at and sufficient preparation for the meetings of the Board of Trustees.
- f) Principle of legality: requires strict compliance with law.
- g) Principle of independence: imposes acting at all times with freedom of judgment, with loyalty to the Foundation, and independently of their own or other persons' interests. As a result, they shall refrain from holding their own interests over those of the Foundation.
- h) Principle of abstention: entails abstention from decision-making that could affect the Foundation if they are in a situation of conflict of interest, leaving meetings at which any such decisions are raised and refraining from accessing confidential information in connection with such conflict.
- i) Principle of communication: Involves the obligation of immediately notifying the Chairman or the Secretary of the Foundation in writing of situations of conflict of interest in which they may be involved.

#### **Article 12. Trustee Profile**

The Board of Trustees shall ensure that the position of Trustee is at all times held by individuals or legal entities who are well known at the domestic or international level in the various areas covered by the Foundation's purposes, taking into account the geographic diversity in which it carries out its activities.

#### **Article 13. Term of Office, Re-election, Removal and Suspension**

1. Trustees shall hold office for a period of five years, after which they may be re-elected to one or more periods of five years.
2. Prior to the passage of such time, Trustees shall cease to hold office when they are affected by the grounds provided by law or the Articles of the Foundation, including the following:
  - a) Death or declaration of demise, as well as termination of legal personality, as applicable.
  - b) By resignation communicated with the proper formalities.
  - c) Incapacity, disablement or incompatibility, pursuant to the provisions of law.
3. Trustees may be suspended by a provisional order of a Judge when an action for liability is filed against them.

#### **Article 14. Compensation of Trustees**

Trustees shall hold their office for free without in any case being entitled to receive compensation for the performance of their duties, without prejudice to the right to be reimbursed for duly substantiated expenses incurred in the performance of their duties or to the coverage of the risks inherent thereto by means of liability insurance.

#### **Article 15. Informational Powers of a Trustee**

1. Trustees have the broadest powers to obtain information regarding any aspect of the Foundation, to examine the books, records, documents and other information regarding the activities of the Foundation, to inspect all of its facilities, and to communicate with the Executive Officer.
2. In particular, they shall have the right to examine the annual financial statements as well as all documentation and records in support thereof. The exercise of this power shall not involve unjustified hindering of the normal operation of the Foundation.
3. The exercise of the above powers shall first be channeled through the Secretary of the Board of Trustees, who shall act on behalf of the Chairman of the Board of Trustees.

### **Chapter V. Duties of Loyalty of the Trustees**

#### **Article 16. Duty of Regulatory Compliance**

1. The Trustees of the Foundation shall strictly comply with law in carrying out its activities, attending to the spirit and purpose of the rules. In addition, they shall fully adhere to the commitments and obligations assumed by the Foundation in its contractual relations with third parties, as well as the usage and good practices of the countries in which it performs its activities.
2. The Trustees must be particularly aware of the laws and regulations governing the holding of their office and that apply thereto, as well as the principles of good governance and those governing the holding of the office of Trustee this *Good Governance Code*.

#### **Article 17. Duty of confidentiality**

1. A Trustee shall maintain the secrecy of the deliberations and resolutions of the Board of Trustees and shall generally refrain from disclosing information, data, reports or records to which the Trustee has had access in the holding of the Trustee's position, or from using them for the Trustee's own benefit or that of

persons related thereto within the meaning of Article 20.2 and 20.3 of this Good Governance Code.

2. This duty of confidentiality shall survive even after the Trustee has left office.

#### **Article 18. Use of Foundation Assets**

A Trustee may not use assets of the Foundation or the Trustee's position to obtain a pecuniary advantage unless the Trustee has paid sufficient consideration and it is a standardised service.

#### **Article 19. Conflict of Interest**

1. A conflict of interest shall be deemed to exist in those situations in which there is a direct or indirect conflict between the personal interest of the Trustee and the interests of the Foundation. A personal interest of the Trustee shall exist when the matter directly affects the Trustee or a person related thereto.
2. For purposes of this *Good Governance Code*, the following shall be considered related persons:
  - a) The spouse of the Trustee or a person with a similar relationship of affection.
  - b) The ascendants, descendants and siblings of the Trustee or the spouse (or person with a similar relationship of affection) of the Trustee.
  - c) The spouses (or persons with a similar relationship of affection) of the ascendants, descendants and siblings of the Trustee.
  - d) Entities in which the Trustee or the Trustee's related persons, either directly or through a nominee, are under any of the control situations provided by law.
  - e) Companies or entities in which the Trustee or any of the Trustee's related Persons, either directly or through a nominee, holds a management position or from which they receive emoluments for any reason, provided that the Trustee also directly or indirectly exercises a significant influence on the financial and operating decisions of such companies or entities.
3. Trustees shall observe the following rules regarding conflicts of interest:
  - a) Independence: act at all times with professionalism, loyalty to the Foundation and independently of personal or third-party interests. In consequence, they must abstain at all times from prioritising their own interests over and above those of the Foundation.
  - b) Abstention: abstain from intervening or influencing in decisions possibly affecting the Foundation with which there is a conflict of interest, from participating in the meetings in which these decisions are debated, and from accessing confidential information concerning this conflict.

- c) Notification to the Board of Trustees, through the Chairman or Secretary thereof, of any conflict of interest in which they are involved. To this effect, the concurrence of a conflict of interest must be notified in writing to the person's immediate superior and to the Chairman of the Foundation.
4. These general principles of action must be observed particularly in cases in which the situation of conflict of interest is, or may reasonably be expected to be, of a kind that constitutes a situation of structural and permanent conflict of interest between the Trustee, or a person linked to the Trustee, and the Foundation.

#### **Article 20. Acceptance of Presents and Gifts**

1. Neither the Trustees of the Foundation nor the persons related to them may give or receive presents or gifts in the performance of their duties of such significance that they might give rise to a conflict of interest by affecting the freedom and independence with which they should perform such duties.
2. This prohibition shall not apply when the gifts or presents are of negligible economic value, are customary courtesies, or are not prohibited by Law or generally accepted practices at similar institutions.

#### **Article 21. Duties of Notification**

A Trustee must notify the Foundation, through the Chairman or the Secretary of the Board of Trustees, of any change in the Trustee's professional situation or any other change that might affect the normal performance of the Trustee's duties.

### **Chapter VI. Trustee's Duties of Diligence**

#### **Article 22. Duty to Properly Prepare Meetings of the Board of Trustees**

The Trustees shall attend the meetings of the Board of Trustees to which they are duly called, properly preparing for them and diligently informing themselves of the issues to be dealt with at such meetings.

#### **Article 23. Duty of Active Participation**

The Foundation expects that its Trustees will actively participate in the meetings of the Board of Trustees in order for their knowledge to contribute to the enrichment of viewpoints that will ensure well-founded decision-making.

## **Article 24. Duty of Diligence**

A Trustee, within the framework of the duties assigned thereto by the Foundation's Governance system, must perform any task specifically entrusted thereto by the Board of Trustees or the Chairman thereof to carry out the foundational activities and to implement the resolutions adopted by the Board of Trustees with the diligence of a prudent businessperson and faithful representative.

## **TITLE II. ACHIEVEMENT OF THE FOUNDATION'S PURPOSES**

### **Chapter I. Relations with the contributors**

#### **Article 25. Founder and Founder Trustee**

1. Scottish Power, as "the Founder", will be entitled to offer its donations subject to specific conditions regarding the different projects being carried out by the Foundation.
2. The trustees require to recognise that they will need to decide if the conditions allow them to achieve the Foundation's charitable purposes and whether it is in the charity's interests to accept the gift on those terms.

#### **Article 26. Preparation of Foundation Action Plan**

1. The Foundation shall prepare the Foundation Action Plan consistent with its charitable purposes.
2. At the end of each fiscal year the Foundation shall prepare a report on the performance of the activities carried out which have been funded by donations and planned activities for which donations are sought for the coming year. This report will be circulated to funders, as appropriate.

### **Chapter II. Informational Transparency**

#### **Article 27. The Foundation on the Internet and its Participation in Social Networks**

1. The Foundation's website is the main instrument of transparency policy. Through the website, the Foundation will report on its activities to the general public and to third parties directly related thereto, and the website will also serve as an instrument to facilitate an understanding of and participation in future activities, as well as to disclose its purposes and principles.
2. The Foundation's website shall contain at least the following information, without prejudice to the Board of Trustees approving the inclusion of other information at any time:
  - a) *The Memorandum and Articles of Association.*

- b) The *Good Governance Code*.
3. The Foundation shall also use its best efforts to maintain direct and constant contact, via participation in social networks, with all social groups interested in achieving its social purposes.

#### **Article 28. Relationship with the Auditor**

1. The Board of Trustees shall establish an objective, professional and ongoing relationship with the auditors of the Foundation, with the highest respect for the independence thereof.
2. The auditor shall be appointed using a transparent, efficient and equitable selection formula.
3. The Board of Trustees shall receive information from the auditors regarding issues that might put their independence at risk.

#### **Article 29. Relations with Suppliers**

The Foundation's relations with its suppliers shall be guided solely by standards of objectivity, impartiality and equal opportunity, avoiding any favoritism or the interference of conflicts of interest in the selection thereof.

### **TITLE III. AMENDMENT**

#### **Article 30. Amendment**

1. The Board of Trustees, through a resolution adopted by a majority of its members present in person or by proxy, may amend this *Good Governance Code* upon its own initiative or upon the initiative of the Chairman or the Secretary of the Board of Trustees.
2. The Board of Trustees undertakes to update this *Good Governance Code* in order to ensure that it conforms to applicable laws and regulations at all times, to the needs of the Foundation.