

# Terms of Reference of the Scottish Power Limited Board of Directors

Approved by Scottish Power Limited Board on 11 July 2024

## Article 1. Purpose

1. These Terms of Reference of the board of directors (the “**Board of Directors**”) of Scottish Power Limited (the “**Company**”, a director thereof being a “**Director**”) contain the guidelines that are to govern all action(s) taken by the Board of Directors of the Company, the basic rules for the organisation and operation thereof and the rules of conduct to be observed by the Board of Directors, in order to achieve the greatest degree of transparency, effectiveness, dynamism, supervision and control in the performance of its management and duties and representation of the interests of the ScottishPower Group (as hereinafter defined), in accordance with the *Purpose and Values of the Iberdrola Group*.
2. These Terms of Reference further develop and supplement the legal provisions applicable to the Board of Directors of the Company and form part of the Company’s Governance and Sustainability System. The Company’s Governance and Sustainability System is the set of documents made up of the Company’s Articles of Association and the internal corporate governance and compliance rules approved or adopted by the appropriate management bodies of the Company from time to time, all of which are configured in accordance with applicable laws and rules regarding the protection of corporate autonomy and with the aim to best fulfil the corporate purpose, corporate interest, and social dividend of the Company and the implementation of the *Purpose and Values of the Iberdrola Group*, as so defined in the Governance and Sustainability System, including in these Terms of Reference and the Articles of Association of the Company.
3. These Terms of Reference have been prepared and approved taking into account the good governance recommendations generally recognised in international markets.
4. The guidelines for action and the rules for the organisation and the operation of the management decision-making bodies within the subsidiary companies within the group whose controlling entity, within the meaning established by law, is the Company (the “**ScottishPower Group**”) shall be governed by the terms of reference relevant to those companies.
5. Such terms of reference shall conform to the principles set forth in these Terms of Reference, without prejudice to any adjustments that may be required based on the circumstances of each company, and shall, in all cases, abide by the guarantees required by the Company’s Governance and Sustainability System and the principles of coordination and information that must govern the relations among the management decision-making bodies of the various subsidiary companies of the ScottishPower Group in order for them to fully comply with their respective duties.

## Article 2. Scope

1. These Terms of Reference apply to the Board of Directors, the representative decision-making bodies thereof (whether collective or single-person) and its internal committees (if any).
2. The persons and bodies to whom these Terms of Reference apply shall have the duty to be informed of them, to comply with them and to enforce them, for which purpose the secretary of the Company shall provide the Board of Directors with a copy that is to be

acknowledged by means of a signed receipt, and that is to be published to the Directors' website and the Company's corporate website.

3. The Board of Directors shall comply with and enforce the provisions of the Company's Governance and Sustainability System and shall confirm such commitment in writing upon accepting their appointment or re-election in such manner as is determined by the secretary of the Company.

### **Article 3. Approval, Amendment and Priority**

1. These Terms of Reference of the Board of Directors established from time to time further develop and supplement the law and the provisions set out in the current Articles of Association of the Company.
2. In the event of a conflict between these Terms of Reference, the law and Articles of Association, the law and Articles of Association shall prevail.
3. These Terms of Reference shall be interpreted in accordance with the Company's Governance and Sustainability System.
4. These Terms of Reference, and any amendment to them, must be approved by resolution of the Board of Directors.

### **Article 4. General Principles**

1. Pursuant to the Board of Directors' powers to establish rules to regulate itself and make provision for the management of its internal activities and its disposal of matters, each member of the Board of Directors, including the Chief Executive Officer, shall, in accordance with their fiduciary duties (including in particular, but not limited to their duty under section 172 of the Companies Act 2006) independently carry out their functions and competencies with due regard to the corporate interest and common purpose, in accordance with the Iberdrola Group's *Purpose and Values of the Iberdrola Group* and *Code of Ethics*, adopted by the Company from time to time as part of the Company's Governance and Sustainability System and to all applicable legislation, including, in particular, the applicable provisions regarding the separation of regulated activities.
2. These Terms of Reference also express the Company's commitment to the Purpose (to continue building, together each day, a healthier, more accessible energy model, based on electricity) and the Values (sustainable energy, integrating force and driving force) of the *Purpose and Values of the Iberdrola Group* and the *Code of Ethics* as adopted by the Company from time to time, which shall form the basis of the Company's corporate ideology and ethical principles, and guide its corporate purpose and strategy and performance. The Board of Directors will take note of the fact that the Company shares (in so far as adopted by the Company and given its place within the "**Iberdrola Group**" –the international industrial group of companies of which IBERDROLA, S.A. is the listed (ultimate) parent holding company), the concept of corporate interest of IBERDROLA, S.A., which is aimed at creating comprehensive and sustainable value by engaging in the activities included in the corporate object, taking into consideration the Stakeholders related to the Iberdrola Group's business activity and consistently with the institutional reach of the Group, sharing with them the social dividend generated by its activities, particularly by means of contribution to the achievement of the Sustainable Development Goals adopted by the United Nations (the "**SDGs**") which, in sum, characterises it as a company and an institutional reality, an actor in the economic and social environment in which it carries out its activities, in accordance with the aforementioned *Purpose and Values of the Iberdrola Group* and with the commitments made in the *Code of Ethics*.
3. The Company is included within the Group's decentralised corporate structure as the subholding company in the United Kingdom (the "**ScottishPower Group**"), with the responsibility of complementing the strategic supervision, organisation and coordination carried out by IBERDROLA, S.A., as a holding company, in relation with the head of

business companies of the ScottishPower Group in which the Company has an interest, disseminating, implementing and ensuring compliance with policies, strategies and general guidelines with projection at the Group level, based on the characteristics and unique aspects of the respective territories, countries and businesses in which said head of business companies are present, contributing to their global integration within the Group and within its Business Model.

4. In this regard, the Company shall be responsible for specifying, within its purview, the content of the general policies, strategies and guidelines established by IBERDROLA, S.A. as the holding company of the Iberdrola Group, promoting and supervising the implementation thereof, without prejudice to observing the required autonomy of the day-to-day administration, effective management and day-to-day control of each of the businesses corresponding to the head of business companies in which it has an interest, and subject to applicable law.
5. The Company and the head of business companies in which the Company has an interest have their own Governance and Sustainability Systems, approved within the framework of the performance of their responsibilities and in the exercise of their powers, which systems constitute their internal regulations, along with their own Compliance functions, which shall have sufficient material and human resources to manage their respective Compliance Systems.

#### **Article 5. Corporate Interest**

The Company, pursuant to its status as the Iberdrola Group's sub-holding company in the United Kingdom, shares with the Iberdrola Group the concept that it is the duty of each Director to act in the way he/she considers, in good faith, would be most likely to be in the corporate interest of the Company, understood as that most likely to promote the success of the Company for the benefit of all shareholders of the Company (including, specifically, individual Stakeholders (if any)), taking into account other Stakeholders related to its business (including, in relation to the Company and in particular, having regard to the matters set out under section 172 of the Companies Act 2006).

#### **Article 6. Social Dividend**

1. The performance of the activities included within the Company's corporate objectives, particularly the Company's innovation and digital transformation strategy, must be focused on the sustainable creation of value, in accordance with the *Purpose and Values of the Iberdrola Group* and the commitments made in the *Code of Ethics*.
2. The Company, as the Iberdrola Group's sub-holding company in the United Kingdom, contributes to the Iberdrola Group's social dividend as defined in the Governance and Sustainability System of Iberdrola, S.A., and consequently the Company's own Governance and Sustainability System, consisting of the direct, indirect or induced contribution of value of its activities for all its Stakeholders, particularly through its contribution to the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations (UN) and its commitment to best environmental, social and corporate governance (ESG) practices. In this respect, the Company may collaborate with entities related to the Iberdrola Group, including, namely, the ScottishPower Foundation, in order to promote and carry out activities developed in relation to the sustainable development policies of its business.
3. The Company's performance in social, environmental and sustainability areas, as well as the social dividend generated and shared with its Stakeholders, make up the Company's non-financial information, and the Company shall in accordance with any Stakeholder engagement policy as may be adopted by the Company (and in coordination with Iberdrola, S.A.) promote the public dissemination of its non-financial information and the corporate dividend generated, especially among its Stakeholders.

**Article 7. Applicable Legal Provisions, Governance and Sustainability System and Compliance System**

1. The Company is governed by its constitutional documents and all applicable laws, rules and regulations, as well as by its Governance and Sustainability System, described at Article 1.2, which is approved and by the Board of Directors.
2. The Company's adopts and incorporates to its own Governance and Sustainability System those corporate policies and other governance and compliance rules that have been approved by the board of directors of Iberdrola, S.A. pursuant to its status as the Iberdrola Group's ultimate holding company, thus ensuring proper coordination and consistency with the Governance and Sustainability System of Iberdrola, S.A.
3. Accordingly, the Governance and Sustainability System is founded upon the principles of the *Purpose and Values of the Iberdrola Group*, which define the founding ideals and values of the Company's business, which, due to its size and importance, is a focal point of interaction for a large number of Stakeholders and the environmental, social, and economic framework under which the Iberdrola Group does business.
4. The Board of Directors is responsible for the development, application and interpretation of the rules making up the Governance and Sustainability System (along with any rules approved by "Iberdrola, S.A." in its position as the sole member of the Company), including in relation to ensuring compliance at all times with the purposes of the Governance and Sustainability System and the fulfilment of the corporate interest of the Company.
5. Full or summarised versions of the rules making up the Governance and Sustainability System shall be made available on the Company's corporate website (in so far as not confidential or internal in nature).
6. Within the framework of the Governance and Sustainability System, the Company has a well-developed Compliance System, comprised of a structured set of rules, formal procedures and activities that are intended to ensure that the Company acts in accordance with ethical principles, the law and internal rules, particularly the Governance and Sustainability System, to contribute to the full realisation of the *Purpose and Values of the Iberdrola Group* and the corporate interest, and to prevent, manage and mitigate the risk of regulatory and ethical breaches or breaches of the Governance and Sustainability System itself, that may be committed by the directors, professionals, or suppliers thereof within the organisation.
7. The Compliance Unit is an official, permanent internal body configured in accordance with the highest standards of autonomy, independence and transparency and linked to the Audit and Compliance Committee of the Board of Directors, which is responsible for proactively, autonomously and independently endeavouring to ensure the implementation, effectiveness and management of the Compliance System of the Company, configured in accordance with the provisions of its Governance and Sustainability System, for which purpose it is vested with the broadest powers, budgetary autonomy and independence of action, all without prejudice to the responsibilities of other bodies and divisions of the Company.

**Article 8. Powers of the Board of Directors**

1. The principal responsibility of the Board of Directors (subject to their fiduciary duties) is the formulation and implementation of ScottishPower Group strategy and in formulating ScottishPower Group strategy the Board of Directors shall take into account Iberdrola Group strategy where the Board of Directors believes this is in the interests of the ScottishPower Group.
2. In addition, without prejudice to the power of the shareholder(s) of the Company (in such capacity) to take shareholder type decisions in relation to the Company, there are a number of matters reserved exclusively to the Board of Directors (or to any committee of the Board

of the Directors duly authorised in this regard) set out in the following Article 9, subject to matters delegated to Scottish Power Retail Holdings Limited, Scottish Power Energy Networks Holdings Limited and ScottishPower Renewable Energy Limited boards of directors pursuant to their respective terms of reference in force from time to time.

3. Within the scope of its authority relating to the general duty of supervision, organisation and strategic coordination of the ScottishPower Group, the Board of Directors shall deal with the following matters, among others:
  - a) disseminate, implement and monitor in respect of the head of business companies of the ScottishPower Group, the policies, strategies and general guidelines established by Iberdrola, S.A. as the holding company of the Iberdrola Group (and as adopted by the Company) in the interest of all the companies in the Iberdrola Group, taking into account the characteristics and peculiarities of the countries or territories in which they operate, as well as the activities or businesses carried out by the sub-holding companies and the head of business companies and respecting their autonomy to carry out the effective management and day-to-day administration of their activities or businesses, as well as their responsibility for the ordinary control thereof;
  - b) approve the annual consolidated budget of the Company and its direct or indirect subsidiaries taking into account their budget forecasts and in accordance with the budgetary bases of Iberdrola, S.A. as the holding company of the Iberdrola Group;
  - c) approve, following a report from the Audit and Compliance Committee, the financial information relating to the Company and its direct or indirect subsidiaries, which shall have also been reviewed by the auditor of the Company, if appropriate.
  - d) approve the non-financial information relating to the Company and its direct or indirect subsidiaries, in so far as required for the non-financial information reporting of Iberdrola, S.A., the Company and/or the ScottishPower Group;
  - e) prepare proposals for the distribution of dividends in accordance with any policy relating to dividends as adopted by the Company and in accordance with the Articles of Association of the Company;
  - f) promote and supervise the strategy relating to the Company's engagement with its respective Stakeholders, in accordance with the policy and model established in this respect at the Iberdrola Group level, and approving in particular the framework of collaboration with the ScottishPower Foundation for the promotion and execution of activities relating to sustainable development policies within its scope of activities.
  - g) oversee compliance by the Company and its direct or indirect subsidiaries with the personal data protection regulations in accordance with any policies in this regard within the Governance and Sustainability System of the Company, in respect of which the Data Protection Officer shall periodically provide a report to the Board of Directors (via the Company's Audit and Compliance Committee);
  - h) ensure, within the ScottishPower Group, the effective separation of the regulated activities carried out by the various companies thereof upon the terms required by applicable regulations in the markets and regions in which they operate;
  - i) establish with Iberdrola, S.A., pursuant to its status as the holding company of the Iberdrola Group, the mechanisms that shall enable the exchange of information between the Company and the head of business companies of the ScottishPower Group, which is necessary for strategic coordination at the Iberdrola Group level in the interest of all the companies in the Iberdrola Group, without undermining the autonomy of the Company and its subsidiaries, and the requirements imposed by law on their governing bodies and its members;

- j) ensure the proper use of the Iberdrola brand, as well as the Company's brand, as an expression of the *Purpose and Values of the Iberdrola Group* and its commitment to the *Code of Ethics*;
  - k) oversee the provision of common services to the head of business companies of the ScottishPower Group, in accordance with applicable legislation and, in particular, the legal provisions regarding the separation of regulated activities, supervise contracts for the provision of intragroup services, and oversee and coordinate (as appropriate) any relevant support provided to the governance bodies established within the Iberdrola Group as applicable to the Company or the ScottishPower Group, and review and approve each year the standards that must be met (to protect the corporate interest) for transactions carried out between the Company and its subsidiaries and all other companies within the Iberdrola Group;
  - l) in accordance with Article 11 of these Terms of Reference, approve, delegate or propose to Iberdrola, S.A. in its position as the sole member of the Company for approval, as the case may be, the transactions that the Company undertakes with its sole member, with its subsidiaries or with any related party all under the terms established by law and in accordance with the Company's Governance and Sustainability System and all without prejudice, where applicable, to the relevant powers of the Board of Directors or the board of directors of Iberdrola, S.A.;
  - m) support/promote the presence of the Company and its direct or indirect subsidiaries on social media, and support/promote the development of the Iberdrola Group's communication and innovation strategy and digital transformation;
  - n) establish the structure and accessibility of the Company's corporate website, through which the *Purpose and Values of the Iberdrola Group* as well as the *Code of Ethics* shall be disseminated, which shall identify the Company's activities, its relationship with the Iberdrola Group, and its position on matters of corporate governance, sustainability and the environment, and which shall facilitate the Company's engagement with its Stakeholders and the public; while also ensuring an appropriate level of coordination among the Company's corporate website and those of the head of business companies of the ScottishPower Group;
  - o) authorise proposals for the appointment and removal of directors of direct subsidiaries of the Company, and note proposals for the appointment or removal of directors of indirect subsidiaries of the Company, in accordance with any policy adopted by the Company as it relates to the appointment and removal of directors of the ScottishPower Group (and pursuant to any relevant output of, or process in connection with, the Iberdrola, S.A. Appointment Committee, as applicable);
  - p) approve the appointment of members of the Compliance Unit, upon a proposal of the Audit and Compliance Committee;
  - q) approve and, if appropriate, amend the Regulations of the Compliance Unit, upon a proposal of the Audit and Compliance Committee;
  - r) review and decide on possible conflicts of interest among the companies of the ScottishPower Group; and
  - s) approve, following a report from the Audit and Compliance Committee, the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might detract from the transparency of the ScottishPower Group.
4. The Board of Directors shall create, pursuant to the Articles of Association of the Company, a permanent Management Committee and Audit and Compliance Committee, as well as

any other relevant committees. Such committees will have the composition, duties and powers described in their respective terms of reference.

5. The Board of Directors shall appoint among its members one or more executive Directors, including a Chief Executive Officer, with such powers deemed appropriate and being delegable according to law. The Board of Directors may delegate certain defined executive-type powers to the Chairman.
6. The Chief Executive Officer and any other executive Director(s) shall be responsible for the management and day-to-day administration of the Company under the supervision of the Board of Directors, and particularly shall deal with the following matters, among others:
  - a) to promote the application of the Iberdrola Group's and ScottishPower Group's corporate policies and general management guidelines within the scope of the Company's activities, in accordance with the guidelines established by the Company's Board of Directors;
  - b) to apply the strategy and policies approved by the Board of Directors with regard to his/her scope of activities and in accordance with the basic management guidelines of the Iberdrola Group and ScottishPower Group;
  - c) to propose to the Board of Directors the annual objectives of the Company (for which the resource budget necessary to achieve them shall be proposed by the Control and Administration Director);
  - d) to propose the appointment and removal of members of the Company's senior management, being comprised of persons who report to the Board of Directors or one of its officers, whereby the Head of Internal of Audit shall be deemed to be a senior manager;
  - e) to promote among the head of business companies of the ScottishPower Group any technological or operational best practices and implement and develop the Iberdrola Group's strategy for innovation and digital transformation as may be approved or adopted by the Company, including by any committee established for that purpose with a view to maximising the value of the ScottishPower Group overall for the benefit of its members;
  - f) to represent the Company within the scope of the Company's activities with respect to any relevant Stakeholders; and
  - g) to set any other guidelines, policies and practices and make provision for any other delegations in the normal course of management and day-to-day administration in accordance with the above.
7. The Company expects that its conduct and the conduct of its employees will conform and adhere not only to applicable law and the Governance and Sustainability System but also to ethical principles and generally accepted principles of social responsibility. The Board of Directors has the authority for such purpose to approve a corporate code of ethics and a directors' code of ethics, applicable to all professionals of the ScottishPower Group and to the members of the Board of Directors, respectively, which includes this commitment.
8. In the area of corporate organisation, the Board of Directors shall take such measures as are required to ensure that:
  - a) the chairman of the Board of Directors, as well as the Management Committee and the Chief Executive Officer, pursue the interests of the ScottishPower Group;
  - b) the strategies for the coordination of relations between the Company and the companies that are members of the ScottishPower Group are established and reviewed on an ongoing basis in order to maximise benefits for all of them; and

- c) the professionals of the ScottishPower Group and the Directors comply with the provisions of any corporate code of ethics and/or the directors' code of ethics, respectively, as may be approved or adopted by the Board of Directors.

## **Article 9      Reserved Matters**

Pursuant to Article 8.2, the following matters are reserved to the Board of Directors:

### **1      General**

- a) The making of any proposal to the shareholder(s) of the Company in relation to the alteration to the Memorandum or Articles of Association of the Company.
- b) The making of any proposal to the shareholder(s) of the Company in relation to the appointment or removal from office of any of the Directors or the secretary of the Company.
- c) The making of any proposal to the shareholder(s) of the Company in relation to the appointment or termination of appointment of the Company's Auditors or its lead advisors.
- d) The establishment of appropriate policies, and any material changes to these policies, concerning:
  - (i). corporate governance of the ScottishPower Group;
  - (ii). risk management and control;
  - (iii). systems, IT and cybersecurity;
  - (iv). innovation;
  - (v). reporting, and quality assurance;
  - (vi). environment;
  - (vii). HR;
  - (viii). health and safety;
  - (ix). compliance and ethics;

and the approval of policies to address novel or contentious issues, which may arise, and which may be capable of affecting adversely the interests of the ScottishPower Group.

### **2      Strategic and Financial Management and Reporting**

- a) The review and approval of, and any material amendments to:
  - (i). the corporate strategy of the ScottishPower Group;
  - (ii). the business plan (including the annual financing strategy) of the Company and the ScottishPower Group;
  - (iii). the budget for the Company and the ScottishPower Group;
  - (iv). annual and multi-annual Investment Plans of the Company and the ScottishPower Group.
- b) The approval of, and any material amendments to, the foreign exchange and interest rate hedging policy and Treasury counterparty credit limits of the ScottishPower Group.
- c) Any material change to the accounting policies adopted by the Company.
- d) The approval of the statutory accounts and financial statements of the Company.
- e) The declaration (or recommendation to the shareholders) of any dividend payable on the ordinary shares of the Company.



### 3 **Capital Structure**

- a) Subject to the Directors' authority to allot, any change to the share capital of the Company in issue from time to time.
- b) Any change exceeding €6m in the share capital of any (a) subsidiary or joint venture of the Company; or (b) joint venture of a subsidiary of the Company (other than Scottish Power Retail Holdings Limited, Scottish Power Energy Networks Holdings Limited and ScottishPower Renewable Energy Limited and their respective subsidiaries and joint ventures) in issue from time to time, except to the extent previously approved by the Board.
- c) The creation of any new (a) subsidiary or joint venture of the Company; or (b) joint venture of a subsidiary of the Company (other than the creation of any new subsidiary or joint venture of Scottish Power Retail Holdings Limited, Scottish Power Energy Networks Holdings Limited, ScottishPower Renewable Energy Limited and their respective subsidiaries) involving the issue of share capital in excess of €6m except to the extent previously approved by the Board.
- d) The issue by any (a) subsidiary or joint venture of the Company; (b) joint venture of a subsidiary of the Company (other than (i) to another ScottishPower Group company or (ii) by Scottish Power Retail Holdings Limited, Scottish Power Energy Networks Holdings Limited, ScottishPower Renewable Energy Limited and their respective subsidiaries and joint ventures) of any debentures or loan capital (whether secured or unsecured) or other borrowings, in excess of €6m or any significant variation of the terms of such borrowings.
- e) Any change to the parent/subsidiary shareholding structure within the ScottishPower Group involving the dissolution or "hiving-up" of the Company's principal subsidiaries, except to the extent previously approved by the Board of Directors.

### 4 **Corporate Actions**

- a) Any proposal to acquire or dispose of an interest in the ordinary shares of another company which would require a public announcement under the rules of any stock exchange on which Iberdrola, S.A.'s securities are traded or any other market regulatory authority (subject to any other requirements under the rules of such stock exchange or market regulatory authority, such as shareholder approval).
- b) Any other transaction which would require a public announcement under the rules of any stock exchange on which Iberdrola, S.A.'s securities are traded or any other market regulatory authority (subject to any other requirements under the rules of such stock exchange or market regulatory authority, such as shareholder approval).

### 5 **Mergers and Acquisitions**

- a) The acquisition or sale of assets or properties, whether in the form of a business undertaking or shares in an incorporated company, by any of the Company's subsidiaries (other than Scottish Power Retail Holdings Limited, Scottish Power Energy Networks Holdings Limited and ScottishPower Renewable Energy Limited and their respective subsidiaries) where any of the following non-exclusive list exceed €6m:
  - (i). the consideration;
  - (ii). the aggregate market value of the assets of the business;
  - (iii). the net present value of the business;
  - (iv). the aggregate value of the debts comprised in the business;
  - (v). the aggregate value of any liabilities (other than debt) attached to the business;

or (regardless of the foregoing) where the net present value of the business is negative.

## 6 **Contracts and Other Commitments**

- a) The issue by the Company of any guarantee or other similar contractual (i.e. potentially binding) undertaking, comfort or support, or of the setting of any policy on the granting of guarantees by subsidiaries.
- b) The grant of any mortgage, charge, encumbrance or other security interest over the undertaking, property or assets of the Company (except in substitution for an existing security interest).
- c) Any item of capital expenditure by the Company or any of the Company's subsidiaries (other than Scottish Power Retail Holdings Limited, Scottish Power Energy Networks Holdings Limited and ScottishPower Renewable Energy Limited and their respective subsidiaries) exceeding €6m.
- d) Any item of operational expenditure by the Company or any of the Company's subsidiaries (other than Scottish Power Retail Holdings Limited, Scottish Power Energy Networks Holdings Limited and ScottishPower Renewable Energy Limited and their respective subsidiaries), not specifically provided for elsewhere in this section, where the aggregate amount to be paid (undiscounted) during the minimum contractual period exceeds €6m.
- e) The acquisition of real estate by the Company or any of the Company's subsidiaries (other than Scottish Power Retail Holdings Limited, Scottish Power Energy Networks Holdings Limited and ScottishPower Renewable Energy Limited and their respective subsidiaries):
  - (i). if freehold, for a consideration exceeding €6m;
  - (ii). if leasehold, for an aggregate rental, over the minimum duration of the lease, exceeding €6m.
- f) Any contract, or amendment thereof, by the Company or any of the Company's subsidiaries (other than Scottish Power Retail Holdings Limited, Scottish Power Energy Networks Holdings Limited and ScottishPower Renewable Energy Limited and their respective subsidiaries), in relation to any matter not specifically provided for elsewhere in this section, which is "**material**" (as defined below) and, where applicable, in accordance with ScottishPower Group purchasing and/or investment policy, parameters and criteria. A contract, or amendment thereof, will be material where any of the following non-exclusive list exceeds €6m:
  - (i). the consideration;
  - (ii). the price/market value of assets being acquired/disposed of;
  - (iii). the income generated;
  - (iv). the expenditure incurred; or
  - (v). any associated liability or indemnity.
- g) Any development or approval of any group investment plan or group strategic project.

## 7 **Litigation and Regulatory Proceedings**

- a) Any decision by any of the Company's subsidiaries (other than Scottish Power Retail Holdings Limited, Scottish Power Energy Networks Holdings Limited and ScottishPower Renewable Energy Limited and their respective subsidiaries) to initiate legal or arbitration proceedings (other than debt recovery) or to settle such proceedings (other than for an amount greater than 50% of the initial budget or claim objective), where the amount claimed exceeds €6m.

- b) Any decision to settle legal, regulatory or arbitration proceedings brought against any of the Company's subsidiaries (other than Scottish Power Retail Holdings Limited, Scottish Power Energy Networks Holdings Limited and ScottishPower Renewable Energy Limited and their respective subsidiaries), where the amount claimed, or to be paid in settlement, exceeds €6m.
- c) The initiation or settlement of proceedings naming any current or previous director or officer of the Company.

## 8 Other Operational Matters

All other decisions related to the effective management of the ScottishPower Group's business in accordance with the ScottishPower Group's business policies, parameters and criteria.

## **Article 10 Director and Secretary Duties and Obligations**

### 1 General Duties of Directors

Without prejudice to the Company's Articles of Association and any provision of law, including the Companies Act 2006, Directors must discharge and observe the duties of their office and those prescribed by law and the Company's Governance and Sustainability System with the diligence of a prudent business executive and must discharge the duties of their office in accordance with their fiduciary duties towards the Company, and, in particular, each Director shall undertake to:

- a) Properly prepare for meetings of the Board of Directors and, if applicable, the meetings of the committees of which the Director is a member, for which purpose the Director shall diligently obtain all relevant information regarding the running of the Company and the matters to be discussed at such meetings.
- b) Attend meetings of the Board of Directors and, if applicable, the meetings of the committees of which the Director is a member, and actively take part in deliberations so that their judgement effectively contributes to decision-making
- c) Perform any specific task entrusted to them by the Board of Directors, provided that such task reasonably falls within the scope of the Director's area of specialisation.
- d) Give notice to the Board of Directors of any irregularities in the management of the Company of which the Director becomes aware, subject always to any applicable provision of law or the Company's Governance and Sustainability System in relation to such irregularity.
- e) Propose that an extraordinary meeting of the Board of Directors be called or further items be added to the agenda of a meeting of the Board of Directors so that such matters as the Director deems appropriate may be discussed.
- f) Oppose resolutions that are contrary to the law, to the Company's Governance and Sustainability System or to the Company's corporate interests (and demand that their dissent be noted in the minutes of meetings of the Board of Directors), and, subject to their power, authority and discretion seek the invalidation of any such resolution.

### 2 Duty not to Compete

A Director may not be a director or executive of, nor provide services to, another company having a corporate purpose wholly or partly similar to that of the Company or

operating as a competitor of the Company. The foregoing shall not apply to functions and offices held: (i) at Iberdrola Group companies; (ii) at companies where the Director acts as a representative of the Iberdrola Group's interests; (iii) at companies in which a member of the Iberdrola Group holds a minority interest and the Director does not act as a representative of the Iberdrola Group's interests (unless the Board of Directors takes the view that such role or services is or could be a risk to the corporate interests of the Iberdrola Group); and (iv) in other circumstances in which, in accordance with the Company's Articles of Association and any provision of law, the sole member of the Company or the Board of Directors releases him from the above restriction following a review and consideration of any risk and/or damage to the corporate interest that might arise from doing so.

### **3 Use of Company Assets**

Without prejudice to their director duties at law, a Director may not use the Company's assets nor exploit their position at the Company to obtain any economic advantage unless they have provided adequate consideration, on an arm's length basis, in respect of such and for standard services (although, as an exception, a Director may be released from the obligation to provide adequate consideration by the Board of Directors or the sole member of the Company (as appropriate), but in that event the economic advantage shall be treated as remuneration in kind).

### **4 Return of Information**

Immediately prior to removal from office as director of the Company, Directors shall return (and/or, at the request of the Company, delete their own personal copies of) all the corporate documentation and information they may have had access to in the exercise of their position, including information stored by any means or on any device, whether corporate or personal, and must expressly confirm, at the request of the Company, that they have done so.

### **5 Conflict of Interest**

Without prejudice to the Company's Articles of Association and any provision of law:

#### **a) Communication**

When a Director becomes aware of being involved in a conflict of interest, the Director must report it in writing to the Board of Directors through the secretary of the Company as soon as possible.

This communication must contain a description of the situation that has given rise to the conflict of interest, indicating whether it is a direct one or an indirect one through a related person, in which case the latter party must be identified.

The description of the situation must specify, as appropriate, the purpose and the main terms and conditions of the transaction or circumstance, including details of the financial amounts involved or an approximate estimate.

#### **b) Abstention**

Any doubt as to whether or not a Director could be in a conflict of interest situation must be reported to the secretary of the Company. In such a case, the Director shall take all reasonable steps to avoid the continuation of such conflict until the situation is resolved in accordance with the Company's Articles of Association or any applicable provision of law.

A Director must leave meetings of the Board of Directors, and any committees of it, during deliberation and voting on those matters in which the Director is involved in a conflict of interest, and that Director shall not be counted in the number of

Directors in attendance with respect to the calculation of the quorum and the majority required to adopt resolutions.

The secretary of the Company shall remind the Directors at all meetings of the Board of Directors, and any committees of it, which the secretary attends of the reporting and abstention rules set forth in this Article of these Terms of Reference and in the Company's Articles of Association before proceeding with the agenda of the meeting.

c) Transparency

Whenever so required by law, the Company must report on any conflict of interest situations that Directors may find themselves in during the financial year in accordance with all applicable company reporting regulations.

## 6 Business Opportunities

- a) Subject always to any applicable provision of law, a Director may not, for their own or any related party's benefit, exploit any of the Company's business opportunities, unless such investment or transaction was previously offered to the Company and the Company declined to exploit it and was not influenced to do so by the Director, and the Director's exploitation of the transaction is authorised by the Board of Directors or the sole member of the Company.
- b) For the purposes of the foregoing paragraph, a "business opportunity" means any possible business transaction that arises or is discovered in connection with the Director's performance of their office or by the use of the Company's resources and information or under such circumstances where it is reasonable to conclude that the third party's offer was in fact to the Company and not to the Director.
- c) A Director shall abstain from using the Company's name or relying on their status as a Director of the Company for the purpose of entering into transactions on their own or any related party's behalf.

## 7 Disclosure

- a) A Director shall, via the secretary of the Company, disclose to the Company:
- (i). Any ownership or shareholding interest that they may have in any company having the same, a similar or a complementary type of business to that constituting the corporate purpose of the Company, any position or function they may perform at such company, and their pursuit, on their own or another's behalf, of any manner of activity that is complementary to that constituting the corporate purpose of the Company. These disclosures shall be set out in the notes to the financial statements in accordance with statutory and financial reporting requirements.
  - (ii). All positions that the Director holds in, and services the Director provides to, other companies or entities, with the exception of those within the Iberdrola Group, as well as all other professional duties they may have. In particular, the Director shall inform the Board of Directors prior to accepting any directorship or managerial office at another company or entity (except for the positions the Director is called upon to hold at companies belonging to the Iberdrola Group or at other companies in which they represent the interests of the Iberdrola Group).
  - (iii). Any material change in their professional situation that might affect the nature or status under which they were appointed a Director.
  - (iv). Any judicial, administrative or other proceedings instituted against them which, by reason of their nature or significance, might seriously affect the Company's reputation (including, but not limited to, a situation where a Director becomes subject to an order for criminal prosecution or a formal investigation). In such

circumstances and subject always to the Company's Articles of Association and any applicable provision of law, the Board of Directors shall review the case as soon as practicable and shall adopt any measures it deems fit taking into account the interests of the Company (including, for example, the sanctioning of an internal investigation, requesting resignation, or proposing removal).

- (v). In general, any other relevant circumstance or situation that may adversely impact their performance as a Director.

## 8 **Duties of Secretaries**

The secretary of the Company, and, if such office is in existence, any deputy secretary of the Company, shall be bound by the relevant obligations upon such an officer of the Company as set out under the Companies Act 2006.

## 9 **Induction and Training**

New members of the Board of Directors shall be provided with an induction programme intended to facilitate their ongoing active participation, and the Company shall develop on a continuous basis a training and education programme as required and approved by the Board of Directors.

## **Article 11 Related Party Transactions**

1. Related party transactions shall be deemed to be any transaction involving a transfer of resources, services or obligations between the Company or its subsidiaries or Associated Companies (within the meaning given thereto by section 256 of the 2006 Act) with related parties (within the meaning given thereto by the international accounting standards as defined in section 474 of the 2006 Act), whether or not any consideration is involved, but excluding those transactions which, in accordance with any provision of law (including the Disclosure Guidance and Transparency Rules and the 2006 Act), the Articles of Association of the Company and these Terms of Reference or in accordance with Article 11.2 below, do not constitute related party transactions (“**Related Party Transactions**”).
2. Related Party Transactions shall not include: (i) transactions between the Company and its direct or indirect shareholders or wholly-owned subsidiaries, or between these subsidiaries; (ii) operations or transactions between the Company and its subsidiaries (or companies in which a member of the Iberdrola Group holds a minority interest) where no other party linked to the Company has interests in such subsidiaries (or such minority interest companies); (iii) the signing by the Company and any executive director or member of senior management of a contract governing the terms and conditions of the executive duties they are going to perform, including the determination of the remuneration to be paid for said duties (which must be approved pursuant to the provisions of the Articles of Association of the Company); (v) transactions carried out on standard terms for customers that are not significant (i.e. whereby the reporting of which is not necessary to give a true and fair value of the assets/liabilities, financial position and results of the Company); nor (iv) transactions offered on the same conditions to all shareholders of the Company in which their equal treatment and the interests of the Company are assured.
3. Related Party Transactions must necessarily be approved by the sole member of the Company when they involve a transaction with a value exceeding ten percent of the Company's assets (or such other material value as determined by the sole shareholder of the Company). Where this threshold is not met, Related Party Transactions shall be submitted for approval to the Board of Directors. In both cases, a previous report from the Audit and Compliance Committee shall be required.
4. The Board of Directors, through the Audit and Compliance Committee, shall ensure that Related Party Transactions are fair and reasonable from the Company's standpoint.

5. Without prejudice to the foregoing of this Article 11, and subject to any legal requirement, the Board of Directors may delegate the approval of transactions of the Company with other Iberdrola Group companies, or ScottishPower Group companies which are not excluded pursuant to Article 11.2 above, when these transactions are conducted in the ordinary course of business, including those resulting from the performance of a contract or framework agreement, and which are concluded on arms' length terms (i.e. intra-group contracts). The approval of Related Party Transactions referred to in this paragraph does not require a prior report from the Audit and Compliance Committee, but the Board of Directors must establish an internal information control procedure with respect to them, which shall include oversight by the Audit and Compliance Committee and which shall confirm the fairness and transparency of such transactions and, where appropriate, compliance with the criteria that allow for delegation.
6. The conducting of a Related Party Transaction places the Director who carries it out, or who is related to the person that carries it out, in a conflict of interest situation, thus the provisions of Article 10.5 of these Terms of Reference apply.
7. All Directors within the first quarter of each year (and in advance of the issue of the statutory auditor's report in respect of the Company's audited accounts) shall provide a report addressed to the Company of those Related Party Transactions that they have carried out, or persons tied to the Company who are related to them have carried out, during the previous year. Without prejudice to the foregoing, the Directors must immediately report in writing any Related Party Transaction in which they are involved or anyone related to them is involved that require approval by the Board of Directors under law or in accordance with the provisions of the Company's Articles of Association or these Terms of Reference. The reporting of Related Party Transactions must contain the following information: (i) purpose and nature of the transaction; (ii) date on which it began; (iii) main terms and conditions, including the value or amount of the consideration and the terms and conditions of payment; (iv) identity of the people involved in the transaction and relationship, where applicable, with the Director; and (v) other aspects, such as price policies and guarantees, that enables it to be assessed, including, particularly, information that makes it possible to verify that it is a fair and reasonable transaction from the Company's standpoint.
8. The secretary of the Company or such appropriate other person shall cause to be recorded the Related Party Transactions concerning Directors. The Compliance Unit shall, facilitating this process, cause to be recorded in addition the Related-Party Transactions of the members of senior management.
9. On an annual basis, the Board of Directors shall report to the sole member of the Company on any and all Related Party Transactions, such as they may exist.