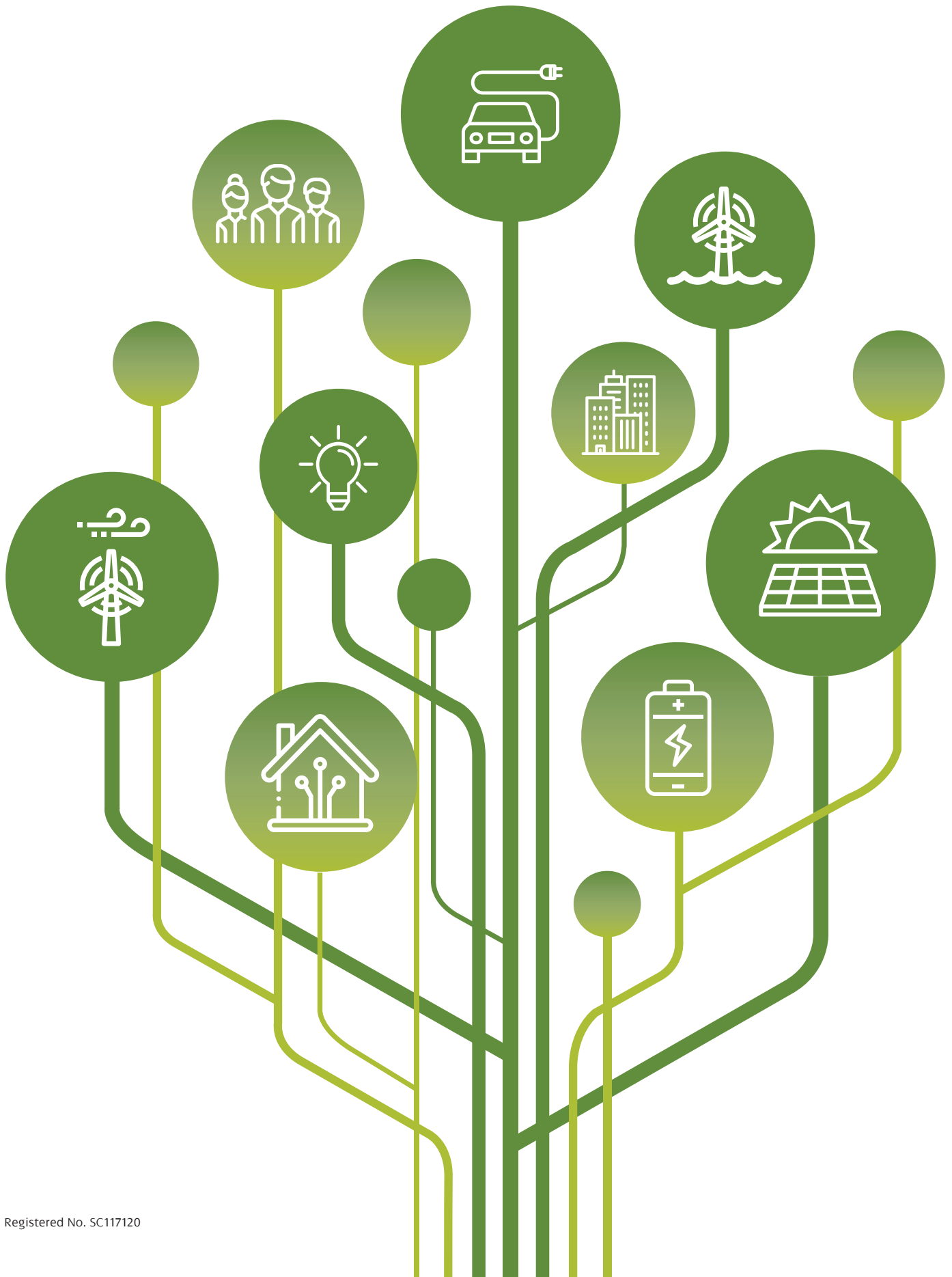




SCOTTISHPOWER

SCOTTISH POWER UK PLC
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2024



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

Group Strategic Report for the year ended 31 December 2024

The directors present their Strategic Report on the Scottish Power UK plc Group ("the Group") for the year ended 31 December 2024. This includes an overview of the Group's structure, strategic outlook including 2024 performance, and principal risks and uncertainties.

SCOTTISHPOWER TODAY

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

WHO WE ARE

Scottish Power UK plc ("the Company"), registered company number SC117120, acts as the holding company of the Group whose activities comprise the generation, transmission and distribution of electricity, energy management and the supply of electricity and gas principally in the United Kingdom ("UK"). The Company is a wholly-owned subsidiary of Iberdrola, S.A. ("Iberdrola"), one of the largest utility companies in the world and a leader in renewable energy.

Scottish Power Limited ("SPL") is the UK holding company of the Scottish Power Limited Group ("ScottishPower") of which the Company is a member.

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

The Head of Business companies have their own boards of directors with the necessary autonomy to carry out the day-to-day management and effective administration of their division. Further information regarding the corporate governance and board structure is set out in the Corporate Governance section of the Directors' Report on pages 54 to 60.

OUR ACTIVITIES

The Group has three divisions:

Energy Networks

Energy Networks is responsible for three regulated electricity network businesses in the UK. These businesses are 'asset-owner companies', holding the regulated assets and electricity transmission and distribution licences of the Group, and are regulated monopolies. They own and operate the network of cables, power lines and substations transporting electricity to around 3.5 million connected customers in the Central Belt and South of Scotland, Cheshire, Merseyside, North Shropshire and North Wales.

Renewable production

Renewable production is responsible for the origination, development, construction, operation and decommissioning of renewable energy generation plants, principally offshore and onshore wind, with a growing presence in battery storage and solar. Renewable production's ambitious growth plans include expansion of our existing portfolio harnessing a pipeline of over 18 gigawatts ("GW"), investing in wind, solar and battery energy storage systems ("BESS"). The UK offshore pipeline stands at just over 10 GW, with a 3.3 GW offshore wind pipeline at our East Anglia Hub and 7 GW of early development potential in our three ScotWind offshore projects. The division has over 40 operational wind farms, including our offshore wind farms West of Duddon Sands ("WoDS") and East Anglia One ("EA1"), and produces 3 GW of clean, renewable energy which supplies the equivalent of more than two million homes. Renewable production is also investing in hybrid energy parks by adding batteries and solar to our onshore wind farms where viable in order to maximise output at our existing sites.

Customer business

Customer business is responsible for the supply of electricity and gas to over four million domestic and business customers throughout the UK, including customer registration, billing and handling enquiries in respect of these services. The division is also responsible for the associated metering activity, the smart meter installation programme, and for managing the Group's smart solutions activities including the installation of heat pumps and the UK's first national heat pump annual service plan and Heat Pump tariff, solar panels, batteries, and electric vehicle ("EV") charging and tariff. Scaling up green hydrogen production is a key strategic focus for the Iberdrola Group, with the aim of producing more than 350,000 tonnes of green hydrogen a year by 2030. Our Green Hydrogen department is aligned with Iberdrola's ambitions in this growth area with 500 megawatts ("MW") of green hydrogen in development across the UK. The division is also responsible for managing the Group's exposure to the UK wholesale electricity and gas markets and the optimisation of gas storage.

North West Electricity Networks

In October 2024, the Group completed the acquisition of an 88% investment in North West Electricity Networks (Jersey) Limited ("NWEN"), a company that indirectly owns 100% of the share capital of Electricity North West Limited ("ENW"), a Distribution Network Operator ("DNO"). The acquisition was subject to review by the Competition and Markets Authority ("CMA") pursuant to the regulations applicable to mergers of energy network companies in the UK. On 20 March 2025 the CMA cleared the acquisition. For further insight on the acquisition, refer to Note 10D on page 105.

2024 financial highlights

REVENUE
£6,583m

(2023 £9,454m)

OPERATING PROFIT
£1,905m

(2023 £1,912m)

CAPITAL INVESTMENT
£2,252m¹

(2023 £1,844m)

NET DEBT
£(8,677)m²

(2023 (£6,314)m)

¹ Represents additions to Intangible assets (refer to Note 6(a) on page 91), additions to Property, plant and equipment and the reassessment of decommissioning asset within Property, plant and equipment (refer to Note 7(a) on page 93).

² As detailed in the 'Liquidity and cash management' section on pages 16 and 17.

OUR PURPOSE, VALUES, STRATEGY AND ROLE

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

OUR PURPOSE

Shaping the future of energy in the UK

We were the first integrated energy utility in the UK to have 100% of its generation of electricity derived from renewable energy sources. Our focus remains on wind energy, smart grids, and driving the change to a cleaner, electric future. We are playing a leading role in the delivery of a clean, low-carbon system for the UK, currently investing £18 million* every working day between 2024 and 2028 to help create a better future, quicker. Increased investment in renewable energy and the electricity grid, alongside measures to support the electrification of heat and transport, remain crucial pillars in achieving the UK Government's climate targets and energy security goals.

With our plans to invest significantly in renewables generation and the electricity network infrastructure that will support the green transition, we are well-placed to contribute to the UK Government achieving its net zero ambitions. Given the UK's significant power demand growth prospects and the UK Government's energy policies set out to promote net zero, industrial decarbonisation and electrification, at the UK International Investment Summit in October 2024, Iberdrola set out a new plan to upweight and accelerate investment in the UK that could reach £24 billion between 2024 and 2028, doubling the previous plan to invest £12 billion over the same period. With the Great British (“GB”) electricity grid requiring significant rewiring, two thirds of this investment will be directed to Energy Networks' transmission and distribution networks:

- Transmission investments will increase following the significant upgrades required in the UK under the RII0-T3 (Revenue = Incentives + Innovation + Outputs) framework (a performance-based model for setting price controls to ensure that consumers pay a fair price for investment) which is expected to be approved by the UK's energy regulator (The Office of Gas and Electricity Markets (“Ofgem”)) in 2025 and will run from 1 April 2026 to 31 March 2031. Examples of significant transmission investments include the new subsea interconnection Eastern Green Link 1 (“EGL1”).
- In power distribution, we will continue investing to maximize security of supply and resilience, connect more renewables and promote the electrification of energy uses.

Significant innovations and investments continue to be made in Energy Networks' distribution business, with our RII0-ED2 business plan, ‘Enabling the path to Net Zero’, which runs until March 2028. The plan also sets out how Energy Networks will act as a trusted partner for its stakeholders and how it will prepare for a digital and sustainable future.

During 2024, Energy Networks made investments as part of ongoing efforts to ensure the grid is net zero ready. In November 2024, partners were confirmed for a £5.4 billion supply chain and jobs boost through a ten year strategic partnership in order to give businesses long-term confidence and security to in-turn invest in their own staff, equipment, technology and services over the period.

Furthermore, Ofgem awarded funding for the EGL1 project in November 2024. A partnership project between Energy Networks and National Grid Electricity Transmission, will see the installation of a 196 kilometer (“km”), high voltage, bi-directional subsea electricity cable between Torness in East Lothian, Scotland, and Hawthorn Pit in County Durham, as part of a multi-billion pound investment in the UK's transmission infrastructure, providing routes for new green electricity from offshore wind farms to travel across the UK to power homes and businesses.

Energy Networks also set out a vision for delivering a cleaner, greener and more sustainable future for people and planet in a Sustainable Business Strategy during 2024. This strategy lays out a series of actions and targets that link to the UN Sustainable Development Goals across five priority themes (climate action, action for nature, circular economy, supply chain sustainability and sustainable society) providing a roadmap for the business to achieve net zero greenhouse gas emissions by 2035.

As the UK has led the world in decarbonising the power sector, the amount of renewable generation that needs to be connected will continue to increase significantly. So too, will levels of electricity demand, as we move to cleaner forms of transport and heating. Renewable production will continue to construct the East Anglia Three (“EA3”) and East Anglia Two (“EA2”) offshore wind farms both of which will provide enough green energy to power the equivalent of around one million homes. Furthermore, we continue to invest in new onshore wind, solar photovoltaic (“PV”) and battery projects.

During 2024, Renewable production has been partnering with other global enterprises through power purchase agreements (“PPAs”) for some of its operations. These partnerships will support the growth of renewable energy, guarantee energy security and help deliver price stability, at the same time driving down emissions and delivering green jobs and investment.

Our role as an integrated renewable energy company places us at the heart of the response to the climate emergency. Key to that is the societal transformation that is the shared journey to a net zero future, a future where the benefits are available to all. We strive to maximise our social dividend and create a positive social impact. We also held our first month-long Sustainability Festival; published our first Social Impact report which sets out how our commitment to invest between 2024 to 2028 will bring the maximum benefits to the communities within which we operate, the supply chain we work with and our current and future people; and presented our ‘Green Light for Growth’ manifesto, highlighting solid, deliverable, and impactful steps to help deliver decarbonisation and ensure society benefits from the opportunities a low-carbon economy will bring.

Following the election of the Labour Government on 4 July 2024, the new Chancellor of the Exchequer and Secretary of State for Energy Security and Net Zero have announced plans to progress with early priorities, including the establishment of a National Wealth Fund and a new publicly-owned energy company Great British Energy (“GB Energy”) with funding of £7.3 billion and £8.3 billion respectively over the course of Parliament. Whilst enabling legislation for these new institutions is being progressed the roles of both the National Wealth Fund and GB Energy are subject to further detail and clarification. We are engaging with the UK Government on the detail of these plans, highlighting the importance of ensuring additionality and not crowding out private investment. The Department for Energy Security and Net Zero (“DESNZ”) has also established a new ‘Mission Control Unit’ focused on promoting delivery of a clean GB power system by 2030. In August 2024, DESNZ commissioned the then Electricity System Operator (“ESO”) to provide advice on possible technology pathways for achieving this. On 5 November 2024, the newly established National Energy System Operator (“NESO”) published its advice in the ‘Clean Power 2030’ document which sets out two pathways for achieving clean power by 2030 (as defined in the

*Investment includes spend on offshore transmission assets (“OFTO”)

Group Strategic Report for the year ended 31 December 2024

OUR PURPOSE, VALUES, STRATEGY AND ROLE *continued*

report) whilst noting that it is a 'huge challenge'. On 13 December 2024, the UK Government published its Clean Power Action Plan, accepting the NESO's advice as a starting point, and confirming its proposed definition of clean power by 2030. This means that, in a typical weather year, at least 95% of electricity generation will come from low-carbon sources and no more than 5% from unbated gas by 2030.

In July 2024, the Government announced that the overall Contracts for Difference ("CfD") Allocation Round 6 ("AR6") budget would increase by 52% to £1.6 billion, from the £1.0 billion originally announced in March 2024. This included a 38% increase in the 'Pot 3' budget for fixed-bottom offshore wind. In September 2024, DESNZ published the outcome of AR6 and Renewable production was awarded CfDs for generation from its EA2 and EA3 wind farms. These contracts will deliver more than 1,100 MW of green electricity; the equivalent of the annual energy needs of around one million homes. The UK Government is commencing its preparation for running CfD Allocation Round 7 ("AR7") in 2025 and in November 2024 announced the Clean Industry Bonus as an incentive for developers of fixed and floating offshore wind to invest in more sustainable supply chains.

The need to accelerate the planning and consenting process for major new energy infrastructure projects is a key feature of our continuing engagement with the UK Government and the devolved administrations. There have been significant developments in this regard, including the move by the new Government to end the 'de facto ban' on onshore wind projects in England with changes to the planning policy framework; as well as a plan (subject to consultation) to move larger onshore wind projects in England back into the Nationally Significant Infrastructure Projects regime (with decisions taken by ministers rather than local authorities). In March 2025, the UK Government introduced provisions as part of the Planning and Infrastructure Bill to amend the overarching Electricity Act 1989 that would, if enacted, give powers to the Scottish Government over consents for electricity infrastructure in Scotland.

The UK Government has also joined up with the Scottish and Welsh Governments to jointly commission the NESO to develop a Strategic Spatial Energy Plan ("SSEP") for the energy system across Great Britain ("GB"). The first iteration of the SSEP will focus on electricity generation and storage, including hydrogen assets, and is expected to be delivered in 2026.

During 2024, we continued to engage with Ofgem and the UK Government on the design of the retail price cap and on the longer-term options for retail price protection, including better arrangements for time-of-use tariffs. We engaged with Ofgem on reviews of allowances in the price cap, including on Ofgem's decision in February 2024 to allow a temporary adjustment to the price cap to address supplier costs related to increased levels of bad debt. We have also commissioned research and engaged with the UK Government to explore how additional support could be provided for domestic energy efficiency measures for those on low incomes, which we believe will have a critical role in addressing long-term energy affordability challenges for those at risk of fuel poverty.

We also continued to engage with the UK Government on its Review of Electricity Market Arrangements ("REMA"), which is considering a range of reform options to ensure that electricity markets are best placed to maintain energy security and affordability for consumers as the electricity system decarbonises. We are concerned that one of the options under consideration, a move to regionally varying wholesale electricity prices known as 'zonal pricing', would risk significant delay and disruption to the UK Government's decarbonisation objectives and would not be in the long-term interests of consumers. We have sponsored a code modification proposal for reform of transmission charging that would replicate some of the claimed benefits of zonal pricing but without the disruption; the proposal is currently progressing through industry processes.

In 2024, we contributed to the wider external debate about the regulatory measures needed to tackle the critical backlog in network connections for new renewable generation projects. As such, we are contributing towards the work being undertaken by NESO and Ofgem on taking forward proposals to move towards a 'first ready, first needed, first connected' approach; these proposals are being developed through the formal industry code change process with a target for implementation of Q2 2025. A connections delivery board ("CDB") is tracking progress on this connections reform process which is chaired by Ofgem and made up of organisations and representatives responsible for, or affected by, the delivery of changes to regulatory, legal, industry and commercial frameworks for connections. Members of the CDB represent Ofgem, the UK Government, the Scottish and Welsh Governments, NESO, transmission network owners ("TNOs"), DNOs, the Energy Networks Association ("ENA"), connection customer representatives and consumer representatives.

The then ESO published its Transitional Centralised Strategic Network Plan, 'Beyond 2030', in March 2024. It recommends that an additional £58 billion investment is required in network upgrades to meet the demand for decarbonised electricity and to facilitate the connection of an additional 21 GW of offshore wind. The report is a stepping stone to the full Centralised Strategic Network Plan which will be published in 2026.

Delivering a better future, quicker for everyone

Everything we do as a Group is now determined through the prism of net zero and decarbonisation, in the name of green, affordable energy security. The UK needs to go faster and harder than we have ever gone before if we are to meet the ambitious UK Government targets for power sector decarbonisation by 2035, and decarbonisation of the rest of the economy by 2050 (2045 in Scotland). We need to be deploying low-carbon technologies at a quicker rate than has ever been achieved historically, and at ScottishPower, we continue to lead the charge.

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

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

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

Group Strategic Report for the year ended 31 December 2024

OUR PURPOSE, VALUES, STRATEGY AND ROLE *continued*

Our Smart Solutions Team continues to increase offerings to customers by improving the design, quote and ordering experience for solar, battery, heat pump and home EV charging installations. In June 2024, we launched a Heat Pump Saver tariff, backed by 100% green electricity, which allows customers to heat their homes at a cheaper rate throughout the day. This tariff is part of our wider strategy to promote greener living to support the achievement of the UK's climate targets, and was followed on World EV Day in September 2024, by another new initiative aimed at saving EV drivers money on home charging. The EV Optimise add-on allows customers to opt into smart charging their vehicle at their home at a time when the demand on the UK's power network is low, resulting in savings to their electricity bill.

In October 2024, we announced a unique collaboration which aims to make it easier for homeowners to invest in sustainable energy solutions like heat pumps and solar panels, all while working towards reducing their carbon footprint and lowering their energy bills over the longer-term. The new initiative will see Santander UK offer £500 cashback to its customers who take out a Santander loan to finance renewable energy home projects like heat pumps or solar panels. We will also provide a further £500 credit to those customers' energy accounts when they purchase and install solar panels at home through ScottishPower.

OUR VALUES

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

Sustainable Energy ("Sustainable")

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

Integrating Force ("Collaborative")

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

Driving Force ("Dynamic")

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

OUR STRATEGY

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

Our key strategic goals include:

- investing in networks to make them smarter and more resilient, and creating a platform for the UK's sustainable electric future;
- investing in renewable energy generation, principally onshore and offshore wind, solar and battery storage, to address the climate emergency and reduce the cost of electricity generation;
- creating a fair, transparent, competitive and financially stable retail market where customers are protected from irresponsible practices and are in control of their energy usage through digitisation and smart metering;
- supporting and guiding domestic and business customers through their journey to help them decarbonise and be more efficient in their energy consumption;
- designing and delivering an energy system to facilitate and encourage the growth of EVs and clean heating solutions to improve air quality and tackle climate change;
- facilitating the decarbonisation of sectors of the economy that are challenging to electrify, such as heavy industry and transport, through the development and application of green hydrogen solutions; and
- ahead of the UK International Investment Summit in October 2024, we announced the doubling of our UK investment plans, with plans to now invest £24 billion between 2024 and 2028.

OUR ROLE

In the wider legislative, regulatory and commercial context in which we operate, our commitment to playing a leading role in the UK's contribution to combat climate change has been reflected in a number of significant developments in 2024.

As the only energy company in the UK with a role across the entire energy value chain of generation and storage, transmission and distribution, and supply to customers, we are uniquely placed to make an active and distinctive contribution to these policy debates. As part of our continued partnership with the WWF and following the publication of our 2023 joint report on energy efficiency 'Filling the Gap', we commissioned Frontier Economics to produce a report on the potential for energy efficiency improvements (including heat pumps) to address the economic and social costs associated with fuel poverty. The September 2024 'Warm Homes Mission' report assesses the impact that different levels of public spending and regulatory intervention could have on improving the energy performance of homes at risk of fuel poverty in GB and considers the impact that upgrading these homes could have on household bill savings and carbon emissions, as well as wider socio-economic benefits. The report assumes the continuation of an ambitious Energy Company Obligation ("ECO") scheme as part of a baseline policy and spending package, highlighting the role for supplier delivery in helping to achieve the benefits identified.

Group Strategic Report for the year ended 31 December 2024

OUR PURPOSE, VALUES, STRATEGY AND ROLE *continued*

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

We will take on an additional 325 early careers roles in 2025, including over 200 trainees to support our multi-billion-pound investment programme to upgrade Scotland's transmission network, enabling more renewable electricity than ever before to connect to the network.

Customer business continues to support Cancer Research UK ("CRUK") on its mission to help beat cancer. In January 2024, we celebrated raising a cumulative total of £40 million for CRUK and in August, it was announced that we will be extending this partnership for a further five years. In addition, twenty charities across Scotland, England and Wales have been awarded over £1 million in funding through the ScottishPower Foundation. These funds will help those charities tackle current issues, such as cost-of-living support; raising aspirations for the next generation; protecting the environment; and celebrating cultural diversity. The tenth annual ScottishPower Foundation awards recognised a diverse group of outstanding charities for their continued hard work and dedication to the communities they serve, with the support of funding from the Foundation.

In addition, a host of charities and organisations supporting communities across Scotland have also been awarded funding from Energy Networks' £5 million Net Zero Fund to introduce innovative net zero technology.

We are proud to take an active role in promoting positive engagement with wider communities. In 2024, we continued to grow our landmark partnership deal with Scottish Women's Football ("SWF") and the Scottish Women's Premier League, dedicated to energising women's football at every age and stage across Scotland. We won the "Best Breakthrough Business" Award at the Women's Football Awards in May 2024 and announced a further expansion to our support for women's and girls' football with the sponsorship of all four senior cup competitions.

ENGAGING WITH STAKEHOLDERS THE IMPORTANCE OF ENGAGING WITH OUR STAKEHOLDERS

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

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

Our key stakeholders

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

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

"People, our most important asset"

PEOPLE

The Group employs approximately 6,600 employees, working across a range of roles within Energy Networks, Renewable production, and Customer business as well as our Corporate function. Our employees make a real difference in determining how successfully we operate. The creativity, innovation and individuality of our employees enables us to build on our future capability to operate effectively in a competitive market and continue to have aspirations which are challenging and rewarding. We respect and recognise the importance of individuality as part of our ongoing commitment to promoting a culture where individuality is celebrated. We also understand that being a diverse organisation goes beyond having legally compliant policies and practices; it includes a focus on creating an innovative, integrated organisation where people feel valued, inspiring them to perform at their best.

The Group continues to be a real living wage employer and in 2024, obtained accreditation as a 2024 Top Employer from the Top Employers Institute. This accolade recognises people management practices and their impact across the organisation.

In 2024 we have been provided the EDGE Certification (a leading global standard for diversity, equity and inclusion), centered on a workplace gender and intersectional equity approach. The standards offer a holistic framework against which organisations can measure where they stand in terms of gender equity. The framework consists of requirements and specifications against which conformance is audited by an independent third-party leading to EDGE Certification. We are currently working toward EDGE+ which also values commitment to intersectional equity.

In November 2024, we announced plans for headcount growth over 2025. With the GB electricity grid requiring significant upgrades then this is an opportunity to be part of changing and building a better future for the next generation. Roles included range from trainee opportunities across many skills disciplines to roles with an engineering, technology, project management or commercial background.

Group Strategic Report for the year ended 31 December 2024

ENGAGING WITH STAKEHOLDERS *continued*

During 2024, the Group joined the Iberdrola digital platform called Global Green Employment which aims to be a digital reference point for all those who wish to work in the green sector. It aims to provide, for free, a mechanism to advertise live published vacancies across all companies and institutions committed to sustainability and energy transition and provide access to the talent they need to achieve their goals. In addition, it will share training offerings available as well as qualifications from providers such as universities and colleges which will help people gain the skills required to move into green jobs. The platform was launched in Spain in June 2023 and went live in the UK in October 2024. Whilst in its infancy in UK, this social impact intervention is being well received by suppliers and external educational providers as a conduit to source and share information on green jobs, skills and opportunities with many joining us on this journey.

We have well-defined policies in place throughout our divisions to ensure compliance with applicable laws and related codes of practice. These policies cover wide range of employment issues such as disciplinary, grievance, bullying and harassment, discrimination, absence, performance management, anti-bribery, anti-corruption and whistleblowing, which all operate in conjunction with the Code of Ethics of Iberdrola and its group of companies ("the Code of Ethics") and the ScottishPower Code of Conduct, which both outline expectations for employees' conduct. We continuously review the content and application of our policies and procedures in line with changes to employment legislation, related codes of practice and case law.

Training

We have a continuing commitment to training and personal development for our employees and provided 4,632 training events in 2024 (5,951 in 2023).

The Fifth Edition Safety Rules were formally adopted across ScottishPower on 15 March 2024. After this date, Fifth Edition training was delivered as standard to all authorised internal and external staff including the first annual round of authorisation refresher training in September 2024. An authorisation based approach is also being adopted for general health and safety training, with several key areas such as asbestos, noise, and Hand-Arm Vibration Syndrome ("HAVS") awareness being brought under the same procedures as our safe system of work training.

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

We also implemented Workday Learning in 2024, benefitting from improved learning solution functionality, learning programme implementation and overall improved employee experience.

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

During 2024, our graduates and trainees continued to undertake structured training programmes leading towards the achievement of nationally recognised trade apprenticeships, other accredited qualifications or specific training programmes. This population have also received specific training on transferable skill sets and are supported by a development programme and mentors for our graduates. This has included a group of graduates who have started on our Global Graduate Programme with participants across the Iberdrola Group.

Employees across the Group received training in core leadership topics as part of our Leadership approach. This included a new programme for first line managers, equipping them with the skills necessary to lead their teams effectively. We have continued to offer team development support through our Team Effectiveness Toolkit and Team Performance sessions in each of our business areas. For our senior leaders, we held an annual conference where we launched the new Iberdrola leadership model and are now working with senior stakeholder group to embed this across the organisation next year. Additionally, we implemented a new development programme focused on female leadership talent. Our Strategies 4 Success programme has been run in partnership with EDIT Development Ltd and has supported the development of female employees across 2024.

Linkedin Learning licenses have been provided to all our trainee and graduate populations, our first-line people leaders, and those with specific training needs where they have utilised bespoke learning pathways and curated content across a variety of topics and skill sets. Get Abstract was a new digital learning solution implemented in 2024 providing users with bite-size learning across leadership topics and the Pluralsight platform continues to provide learning for those in experienced data and digital skill sets.

We also participated in the global roll out of learning communities across key topics within the Iberdrola Group; these include project management, cyber, new ways of working, data, employee experience. These communities are open to all employees and we currently have 603 employees participating in knowledge sharing at a global scale.

Employee feedback and consultation

Our employee engagement survey is called 'the LOOP'. The LOOP provides an opportunity for our employees across the organisation to share their views on their employee experience and is completed by all employees annually. In addition, we have moved to a more continuous listening approach with short, topic-focused quarterly surveys. Our approach is based on employee net promoter score ("eNPS"), sentiment and satisfaction. Our latest survey was launched on 28 October 2024 to all employees focusing on their day-to-day working life with a response rate of 46% and an eNPS score of 22%.

The results also demonstrated some positive insights including that our employees feel they have a healthy and supportive day-to-day working relationship with their line manager. Employees feel that the majority of their day-to-day tasks are aligned to their priorities. Areas of opportunity are improvements in terms of the training provided on our day to day processes. The results also showed that our employees attribute our organisation to sustainability, diversity and inclusion and customer orientation.

Inclusion and diversity

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

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

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

Group Strategic Report for the year ended 31 December 2024

ENGAGING WITH STAKEHOLDERS *continued*

We published our latest Gender Pay Report on 10 March 2025 in which we reiterated our commitment to pay for performance equally and fairly. This continued our focus on breaking down barriers across the employee lifecycle, as over time this will improve our gender pay gap position whilst widening the inclusion of other under-represented groups. For more information, the latest Gender Pay Report is published at www.scottishpower.com ("the Corporate website") under 'Careers' / 'Inclusion at ScottishPower' / 'Gender Pay Report'. As part of our commitment to closing our gender pay gap, and as a Group which has a common framework in all the countries in which it operates on diversity and inclusion, Iberdrola set two targets in 2022 to break down the barriers for women:

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

At the end of 2024, the proportion of women in senior management position was 32.1% (2023 33.7%) and the proportion of women in responsible roles was 32.7% (2023 32.3%). As we grow our business, we have improved our gender representation in responsible roles which include graduate and middle management posts. However, we recognise challenges in the external senior management talent pipeline. In response we have implemented senior and middle management female development programmes and increased our insights on the population of women who want to grow their career at ScottishPower.

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

- Inclusive recruitment principles such as balanced shortlisting and gender-balanced interviewing are now incorporated into all our external recruitment campaigns. Recruitment consultants work with all hiring managers to adopt these inclusive recruitment principles.
- All of our job advertisements are reviewed using gender de-coding (i.e. highlighting masculine and feminine language).
- We continue to share best practice through the Energy Leaders Coalition which comprises 16 of the leading chief executive officers ("CEOs") from the UK's energy sector who have made a public declaration to improve gender diversity in their groups and in the sector as a whole.
- We are a corporate partner of the Women's Engineering Society to help with the important work that they do in supporting women engineers and encouraging girls to see engineering as a career option.
- We continue to provide Maternity/Parent Coaching to females within our talent population who are on the maternity journey, whether that be preparing for, or on, leave, or returning to work. The coaching blends practical support and advice to both the participants and the line managers as well as focused career coaching to maximise the participant's potential for future progression.
- Our 'New Additions to Your Family' guidelines provide sector-leading leave benefits for all ScottishPower employees regardless of service. These include 26 weeks' full pay for maternity and adoption leave and two weeks' full pay for paternity leave. Returners from maternity and adoption leave are also entitled to a phased return where they will receive 100% contractual pay for working 80% of their duties for three months. These guidelines were designed in collaboration with the Group's employee network who support parents and carers ("SPACE").
- Additional guidance on menopause and menstrual health and domestic abuse have been developed and communicated in collaboration with the ScottishPower's Connected Women's employee network. We now also provide free period products at all our UK sites as we work towards external accreditation as a menopause friendly employer.

In 2023 we launched our first ScottishPower Executive Diversity and Inclusion ("D&I") Committee, a group of senior executives created to lead and champion diversity across the business. In 2024, this committee has supported the launch of a new Allies programme for senior leaders and continues to drive progress on the organisation's work to reduce the gender pay gap and challenge unconscious bias. This committee also works in collaboration with the Iberdrola D&I Committee and our D&I working group made up of our employee-led network chairs and business stakeholders.

In addition, we are promoting gender equality through the Science, Technology, Engineering and Mathematics ("STEM") engagement initiative. Throughout 2024, we have delivered our STEM message to primary, secondary, college and university pupils and students via face-to-face events and workshops. We work with a range of partners and events to communicate our early careers programmes to school children and their families.

The STEM Returners programme aims to help employees returning to work after a lengthy career break to grow and develop their career, offering the time and support needed to refresh and redevelop their skills to help them in returning to employment on a more permanent basis. The 2024 cohort saw 11 returners commence the programme. Three have secured permanent roles within the company.

We continue to work with a number of recognised organisations as part of our commitment to diversity and inclusion. These include: the Business Disability Forum, the Armed Forces Covenant, Carers UK, ENABLE Scotland and POWERful Women. We are recognised at the highest level of accreditation of the Armed Forces Covenant (Gold Status) for initiatives we have in place as a 'forces-friendly' employer.

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

In 2024, the seventh cohort of the inspirational Breaking Barriers programme commenced. The programme aims to support aspirations for young people with learning disabilities and provide equal opportunities to access university courses. During 2024, ten learners aged between 18 and 24 studied for a Certificate in Applied Business Skills at the University of Strathclyde Business School. As part of this experience, the learners gained valuable skills and work experience as part of a placement with the group.

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

- Future Connections – to bring people together from across the Group with an appetite to communicate and learn about activities in other business areas;
- Connected Women – a confident and vibrant network for ScottishPower women;
- SPACE – to give employees access to support and guidance on all aspects of being a parent or carer;
- In-Fuse – to represent LGBT+ colleagues and allies alike;
- VIBE – focussed on ethnicity;
- SPARC – representing disabled colleagues and their allies; and
- iCan – a platform to encourage, create and promote authentic leadership for climate action in both the professional and personal lives of all ScottishPower employees.

Group Strategic Report for the year ended 31 December 2024

ENGAGING WITH STAKEHOLDERS *continued*

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

Rewards and benefits

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

Health and safety

Employee health, safety and wellbeing, the prevention of harm to employees, contractors and members of the public, and the protection of business assets and operational capability, are our top priorities. During 2024, we have continued to strive for improved performance. Both internal and external health and safety assessments have returned positive findings.

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

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

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

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

Health and safety performance

We successfully maintained our ISO 45001 certification following a surveillance audit in 2024. Total Recordable Injury Rate ("TRIR") is one of the primary measurements for health and safety performance and includes lost time, medical treatment and restricted work incidents. The annual ScottishPower employee accident and incident statistics remained low with six TRIR incidents in 2024, which equates to a TRIR of 0.09. For contractors, there were 22 TRIR incidents which equates to a TRIR of 0.31. Two of the TRIR employee incidents were reported to the Health and Safety Executive ("HSE") under The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations. There were also two occupational health cases reported to the HSE under the same Regulations.

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

TRIR incidents*	Employees		Contractors		Total	
	2024	2023	2024	2023	2024	2023
Energy Networks	6	5	15	11	21	16
Renewable production	–	–	1	4	1	4
Customer business	–	–	5	4	5	4
Corporate	–	–	1	–	1	–
	6	5	22	19	28	24

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

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

Public safety

In addition to the physical measures we take to protect the public from electricity, for example secure compounds, safety distances and signage, we also strive to raise electrical safety awareness with the public, customers, agriculture, construction and specialist trades. Our public safety engagement continues around these key areas, focusing on the information driven by current data and trend analysis, as does our planning for our 2025 engagement. We continually look at ways to improve and better deliver our electrical safety advice to members of the public and third parties whose day-to-day work may bring them into close proximity with our electricity network. This includes continuing to work with the ENA to influence, benchmark and align with UK initiatives.

Group Strategic Report for the year ended 31 December 2024

ENGAGING WITH STAKEHOLDERS *continued*

During 2024, some specific examples of public safety activity included attendance at major UK Agricultural Shows, continuing to develop a partnership with the Scottish Association of Young Farmers, supporting education centres relevant to the industry and ongoing delivery of communication campaigns.

Employee health and wellbeing

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

We are committed to creating a mentally healthy working environment that promotes good mental health and wellbeing for all our people which is why we are once again participating in the See Me in Work Programme, designed to tackle stigma and discrimination within the workplace. We have completed the first phase of this programme which included an employee survey, the results of which will be used to inform an improvement plan which will be implemented from 2025.

We are progressing with our mental health line manager training, which is one of our Environmental, Social and Governance targets. In collaboration with Scottish Action for Mental Health, we aim to have all our people managers trained by 2025, with over 65% already trained. We have also trained a further 16 new Mental Health First Aiders ("MHFAs"). To help strengthen our mental health first aid network, we have introduced quarterly network meetings, in addition to our annual Mental Health First Aid Forums which were delivered in 2024, providing more opportunity for MHFAs to connect with each other, develop in the role, and be confident in supporting others.

Promoting health and wellbeing in and outside of work is one of our health and safety essentials and we continue to raise awareness of topics and areas of health that impact upon our people. This includes our communication and campaigns calendar which has featured issues such as men's health, women's health and alcohol awareness. 2024 also saw the launch of our Workplace Wellbeing Platform, which provides our employees with access to a suite of resources and tools that can help them look after their physical and mental health and be able to help others if required. In addition to digital promotion, we have sought to provide more opportunities for employees to engage in activities that help them take care of their health and wellbeing. This has included the delivery of a step count challenge, free health checks, and working with our in-house gym team (PowerClub) to offer breathwork classes.

A continued initiative of the Occupational Hygiene team was the completion of an interactive e-book that enables our people to have an enhanced awareness of workplace health risks in a modern format, which can be accessed via the employee portal. The section on fatigue has since been animated and is being used as an 'Introduction to Fatigue Awareness' resource. Fatigue assessments were conducted across the onshore business of Renewable production, capturing the potential for fatigue in key areas. Equally, an assessment was carried out across the energy traders in Customer business which are high-pressure roles where fatigue could pose a risk. The HSE has recently introduced a tool to aid the assessment of musculoskeletal risk from driving: the Back Injury Risks in Driving ("BIRD") Tool. Further proactive work will be undertaken in 2025.

The Occupational Hygiene team has been collaborating with Energy Networks to reduce the introduction of any potential health risks from new products being procured. Early Occupational Hygiene involvement ensures the reduction of new hazards entering the business. This is achieved by the team carrying out a suitable health risk assessment for any adverse effects to health.

Significant long-term health risks, such as noise and vibration, are further managed through the provision of information, instruction and training. The training package for these key topics has been upgraded and includes bespoke training developed and delivered to field teams along with the introduction of the e-book.

"Putting people first to achieve a better future, quicker"

ENERGY CUSTOMERS

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

Energy Networks

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

Understanding and responding to our customers' needs is not only deep-rooted in our culture but is also essential to meeting the goals we have developed with stakeholders to guide our future plans. Our commitment to our customers is reflected in our customer service scores which continue to trend above Ofgem's targets. In the regulatory year 2023/24, SP Distribution plc ("SPD") and SP Manweb plc ("SPM"), both achieved a customer satisfaction score exceeding the required benchmark. For our transmission business, as part of our RIIO-T2 transmission regulatory price control, we are committed to improving the quality of service as measured through the Quality of Connections Survey, more commonly known as the 'Moments that Matter'. For the third year of RIIO-T2 (regulatory year 2023/24) our customers rated us at 8.3, against a benchmark of 7.7.

Delivering for our customers

Power cut support service

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

Group Strategic Report for the year ended 31 December 2024

ENGAGING WITH STAKEHOLDERS *continued*

Engaging with our stakeholders

To ensure our strategy continues to be fit for purpose, we enlist AccountAbility, an independent company, who own the global standard for stakeholder engagement (AA100000SE), to conduct a full health check audit of our engagement strategy and processes each year. We do this to support our programme of continuous improvement and the development of high-quality stakeholder engagement practices. We achieved 91% in the 2024 'AccountAbility' audit, obtaining the highest categorisation possible ('Advanced'). This represents an overall improvement of 25% since our first audit in 2018.

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

Within our SPD license area, we are proud to have over 93% of all eligible households registered onto our Priority Services Register, with over 89% of households registered within our SPM license area. This helps to deliver additional support when our customers need it most. Focusing on our role in protecting vulnerable customers, we are on track to deliver against our vulnerability strategy commitments. On top of this, we have now embedded our commercial delivery partners to ramp up the support and value we can offer throughout RII0-ED2 to 100,000 customers experiencing fuel poverty or requiring support with low-carbon technologies.

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

Maintaining a reliable supply of electricity

Society rightly expects to consistently receive a reliable supply of electricity at the flick of a switch, which is why we strive to exceed our regulatory price control commitments and will continue to do so for RII0-ED2. We serve our distribution customers with 99.99% reliability levels for 40p per day, protecting the most vulnerable and ensuring supply to critical sites such as hospitals, nursing homes, water treatment works and food supply businesses.

Ensuring a just transition

Energy Networks published its own Just Transition Strategy in 2023 which sets out the steps it is taking to embed the principles of a fair and equitable transition into everything it does.

Customer business

Customer service

Delivering excellent customer service to our customers when they need to contact us continues to be our key priority. Across the business, we work hard to ensure the customer is at the centre of everything we do and is everyone's focus. We continually assess our processes and customer journeys and identify and implement improvements to ensure we meet our expectations and those of our customers. We are relentless in our pursuit to improve our customer experience.

During 2024, we continued to deliver a strong service to customers by offering quick response times through all contact channels. For example, call wait times were less than 90 seconds in Q2 and Q3 of 2024 and our turnaround time on emails was 96% within 48 hours. These improvements in our customer service delivery were recognised in the official Citizens Advice Customer Service quarterly scorecard, which measures key customer service metrics across the energy industry. We are delighted that we were ranked number one out of the large suppliers for customer service for period Q2 and Q3 of 2024, recognising all the good work we have been doing to deliver a quality service to our customers. Q4 2024 results are expected to be published in spring 2025.

We continue to focus on delivering customer service through a number of digital channels as well as retaining our traditional telephone channels. Digital tools are the channel of choice amongst most of our customer base with mobile apps now being our most frequently utilised self-service tool, alongside digital online web chats. Building from our success in recent years, we are delighted to announce that we won several prestigious external awards for our app experience in 2024 including the UK e-commerce Business to Consumer ("B2C") App of the Year and Gold for Digital Transformation at the European Customer Experience awards. This recognises the continued improvements and functionality we are offering customers via this channel.

2024 has seen growth in our digital channels and improved customer experience scores across all channels. A key focus has been the expansion and stability of our in-app prepayment experience, in line with our smart meter rollout programme to these customers. Supporting our ambition to expand our digital footprint, we aim to enable a 'digital for all' strategy through improving our web accessibility standards. In addition to the growth of and enhancements to key self-service account tools, there has been a continued focus on leveraging the capabilities of smart meters to deliver automated services and insights to help customers gain a better understanding of their energy usage. This has been achieved by improvements such as additional enhancements to our smart meter consumption information and the launch of our home energy management flexible energy offers, such as our new EV Optimise smart charging solution and our PowerSaver half price weekend and grid saving events proposition.

Group Strategic Report for the year ended 31 December 2024

ENGAGING WITH STAKEHOLDERS *continued*

Support we are offering

We continue to ensure we support our financially and non-financially vulnerable customers through a wide range of support mechanisms. These services include:

- Offering a range of options for customers to get in touch including phone, webchat, and email options. We assess the needs of our customers and adjust our offering to ensure it meets our customer needs.
- Intelligent routing of contacts to specialist support teams to manage customers who are identified as being vulnerable or potentially in need of additional support. This includes Prepayment Off Supply teams, Affordability teams and our 'Extra Care' teams who aid customers with additional support needs.
- To reduce the risk of prepayment customers going off supply, we offer periods of 'friendly credit', where the customer will stay on supply, without the need to top up their meter. Where this is not technically possible, we offer increased emergency credit.
- We offer a dedicated phone line for Citizens Advice to get in touch on behalf of customers. In addition, we also offer support for other third parties, ranging from national organisations like National Energy Action to smaller, local charities such as South Seeds, via a Third Party Assistance Team. This enhanced support has been positively received and is benefiting customers seeking help from third party organisations, by securing a faster resolution for them.
- Recognising the wider impacts of financial hardship, we have included mental health training across all customer service agents, to allow them to respond sensitively to customers who are experiencing such difficulties.
- We offer extra help and additional support options under our Priority Services Register for those non-financially vulnerable customers who may find it more challenging to manage their energy account.
- We have a range of alternative payment options and tariffs for different customer circumstances and offer flexible repayment schemes for those who have built up debt.
- For customers who may be struggling to manage their energy costs, we offer advice on how to reduce energy consumption through simple actions by the customer or via the ECO framework.
- We also provide signposting to third parties who can offer additional guidance and support, including in relation to debt advice and energy efficiency advice, and we also signpost to our own Hardship Fund and our Prepayment Voucher Scheme which provides additional non-repayable funding to eligible customers.
- For our most vulnerable customers, we offer a dedicated team of National Community Liaison Officers whose sole purpose is to provide in-home support.

Overall, our focus is on prompting customers to engage with us as early as possible so that we can provide the support they need, whether that be within the actions we can take ourselves, or in ensuring those customers who need broader support than we can offer, have direct access to third parties who can provide it.

We are also raising awareness of measures customers can take to reduce the impact of increasing energy costs, including arranging for a smart meter to be installed. Smart meters are the best way to track energy consumption by showing a customer the cost of the energy they are using, providing us with regular, automatic, meter readings ensuring they only pay for the energy they use.

We further support vulnerable customers with their energy bills through the Warm Home Discount ("WHD") scheme. Now in its 14th year, the WHD scheme is the UK Government's main policy for tackling fuel poverty. The scheme continues to be delivered by energy suppliers, principally to qualifying customers, by providing rebates on electricity accounts to help when bills may be higher over the winter period. During scheme year 13, which operated from 1 April 2023 to 31 March 2024, we spent £35 million providing assistance to 233,128 customers by applying a rebate of £150 to their electricity account. In addition, during scheme year 13, £5.4 million of funding was provided to projects which provided financial assistance payments to customers, supported customers who had debt and third party organisations to deliver industry initiative projects to provide a range of assistance to domestic customers. Our partners delivered energy efficiency advice, energy efficient white goods, and measures to improve the energy efficiency of the property where they lived. Other projects focused on further financial support providing fuel debt assistance and benefit entitlement checks.

Energy efficiency

The delivery of energy efficiency measures continues to be an important responsibility of our business, and 2024 was the eleventh year of delivery of the UK Government's ECO scheme. The ECO scheme is fundamental to improving the fabric of British homes by supporting our pursuit of achieving net zero and focusing on reducing heating costs for the most vulnerable customers by improving the energy efficiency of properties. In July 2022, the ECO 4 legislation came into effect with the obligation running until March 2026. ECO 4 is focused on the most vulnerable households in the least efficient homes (Energy Performance Certificates ("EPC") Bands E, F and G) and targets a whole house improvement project based on a fabric-first approach, addressing the structure of a building such as walls and windows before making changes to internal elements such as heating. This will see a drop in the number of properties treated in comparison to previous obligation programmes, however the majority of those treated will be improved by a minimum of two EPC bands with multiple measures delivered to each home. With an established and mature ECO 4 supply chain, 2024 delivery has been strong, continuing to deliver energy efficiency measures to customers as soon as possible, our supply chain is in a positive position to deliver the final phase of the ECO 4 programme.

The Great British Insulation Scheme ("GBIS") (previously known as ECO+) was launched in July 2023 and runs until March 2026. GBIS had been planned to complement ECO 4 by delivering single insulation measures (such a loft or cavity wall insulation) to hundreds of thousands of the least energy efficient homes in the lower Council Tax bands, as well as targeting the most vulnerable homes across the country. However, the scheme has not delivered as the UK Government envisaged. Our GBIS supply chain has been expanding during 2024 and has been providing additional capacity. In late 2024, the UK Government consulted on proposed changes to the GBIS which are expected to make the programme more deliverable and cost effective for 2025. The proposed changes should enable the business to utilise the capacity available from the ECO 4 supply chain and, due to some technical changes, permit more than one measure to be delivered in the qualifying homes.

Group Strategic Report for the year ended 31 December 2024

ENGAGING WITH STAKEHOLDERS *continued*

“Being collaborative”

GOVERNMENT AND REGULATORS

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

Following the election of a Labour Government, we have been engaging with the new government on its approach towards energy policy and meeting the net zero challenge. This has included engaging on the detail of its plans for Clean Power 2030, and as part of the transition towards building a low-carbon economy, on a new National Wealth Fund, and on a new publicly owned energy company, GB Energy, highlighting the importance of ensuring additionality and not crowding out private investment.

The NESO was commissioned by the new UK Government in August 2024 to provide advice on possible technology pathways for achieving a clean GB power system by 2030 and the NESO published its advice in November 2024, setting out two pathways for achieving clean power whilst noting that it was hugely challenging. The UK Government responded with its own Clean Power 2030 Action Plan on 13 December 2024 which broadly accepted the advice from the NESO. We provided input to the NESO's review, drawing on our key role in critical network and renewable generation rollout and we will continue to engage with the UK Government on delivery of its Action Plan.

We engaged constructively with Ofgem through 2024 on its plans for the next RIIO-T3 transmission price control. The unprecedented increase in investment required in RIIO-T3 (over three times the level of our previous transmission price control) will bring new challenges in terms of skills, supply chain and finance ability, and we will continue to work with Ofgem to ensure these are appropriately reflected in the RIIO-T3 settlement.

We have contributed to the wider external debate about the regulatory and industry measures required to tackle the critical backlog in network connections for new renewable generation projects, including the work being undertaken by the NESO and Ofgem to move towards a 'first ready, first needed, first connected' approach; these proposals are being developed through the formal industry code change process with a target implementation date of Q2 2025.

The need to accelerate the planning and consenting process for major new energy infrastructure projects was a key feature of our engagement with the UK Government and the devolved administrations. There have been significant developments in this regard, including the move by the new UK Government to end the 'de facto ban' on onshore wind projects in England with changes to the planning policy framework; as well as a plan (following consultation) to move larger onshore wind projects in England back into the Nationally Significant Infrastructure Projects regime. In March 2025, the UK Government introduced provisions as part of the Planning and Infrastructure Bill to amend the overreaching Electricity Act 1989 that would, if enacted, give powers to the Scottish Government over consents for electricity infrastructure in Scotland.

We continue to engage with the UK Government on the need to ensure deployment of offshore wind at scale and in a timely way to progress towards meeting the ambition for clean power by 2030, with the UK Government recognising that this needs to be the backbone of a clean power system in GB. Following the new Labour government increasing the Budget for CfD AR6 by £530 million to £1.6 billion in the summer in 2024, DESNZ published the results of CfD AR6 on 3 September 2024, awarding 131 contracts totalling 9.6 GW of renewable generation capacity. This included 1.58 GW of 'permitted reduction' offshore wind from CfD Allocation Round 4 (including Renewable production's East Anglia Three offshore wind project) and 3.36 GW of 'new' offshore wind (including Renewable production's East Anglia Two offshore wind project). The DESNZ is now preparing for running CfD AR7 in the summer of 2025 – including running the new CfD Clean Industry Bonus scheme for offshore wind ahead of AR7. In this context, DESNZ announced possible near-term reform options to the CfD framework ahead of AR7 as part of the Clean Power 2030 Action Plan published in December 2024, including the option of a longer duration CfD and potentially removing the planning consent requirement for fixed-bottom offshore wind participating in a CfD allocation round. We are engaging with the UK Government on these potential reforms and will respond to the forthcoming consultation.

We have also continued to engage with the UK Government on the ongoing REMA which is considering a range of longer-term reform options for the 2030s and beyond to ensure that the GB electricity market is best placed to deliver a secure, efficient and cost-effective decarbonised power system based on a high volume of intermittent renewable generation. We consider that one of the options under consideration, a move to regionally varying wholesale electricity prices ('zonal pricing'), could risk significant delay and disruption to the UK Government's ambition for delivering clean power by 2030; in this context we sponsored a code modification proposal for reform of transmission charging that would better deliver some of the claimed benefits of zonal pricing but without the kind of negative disruption involved in a move to zonal pricing; the proposal is currently progressing through industry processes.

With retail energy prices around 40% higher than they were three years ago and many domestic consumers still facing severe cost of living pressures, household energy debt across suppliers has increased by around 31% from £2.9 billion in Q3 2023 to £3.8 billion in Q3 2024. We continue to work with the UK Government and Ofgem to ensure that consumers who are struggling to pay their bills receive appropriate support, particularly the most vulnerable. We also engaged with Ofgem in its reviews of allowances in the price cap, including Ofgem's decision in February 2024 to allow a temporary adjustment to the price cap to address supplier costs related to increased levels of bad debt. We have also commissioned research from economic consultants, Frontier Economics, and engaged with the UK Government to explore how additional support could be provided for domestic energy efficiency measures for those on low incomes which we believe will have a critical role in addressing long-term energy affordability challenges for those at risk of fuel poverty.

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

Group Strategic Report for the year ended 31 December 2024

ENGAGING WITH STAKEHOLDERS *continued*

“Being responsible”

SUPPLIERS AND CONTRACTORS

As part of our mission for a better future, quicker, we are always looking for new suppliers and contractors, and for ways to improve our working relationships with our existing suppliers and contractors. We have a broad and diverse supply chain with around 3,000 suppliers, and during 2024, we awarded contracts with a cumulative value of around £5.8 billion. Our suppliers have a key role to play in the delivery of our projects and services that we are undertaking to provide a low-carbon future for the UK. We aim to develop and maintain strong relationships across our supply base with a focus on health and safety, quality, cost and sustainability. We expect our suppliers to operate to a high standard including working in an ethical and sustainable manner, and we have a range of policies that all suppliers must adhere to, including the Iberdrola Code of Ethics. We have built in cyber security checks and monitoring as part of our tendering and supply chain relationships.

In 2024, we continued to increase our focus on the Environmental, Social and Governance (“ESG”) credentials of our main suppliers using our supplier risk management system, Go Supply. This system has provided significant additional insight into ESG factors of our supply chain. We have used this information to monitor and report to the board of directors of SPL (“SPL Board”) on the ESG credentials of our supply base, and to work closely with those suppliers that we have identified as having weaker ESG traits to support their development through improvement plans and guidance. During 2024, we were pleased to report that 97% of our main suppliers are considered sustainable with 98% of the contracts awarded being to these sustainable suppliers. More broadly, engaging proactively with our supply chain is key in ensuring positive outcomes for both us and our suppliers, and we seek to engage specifically with suppliers through a variety of methods. For example, we continue to contact a small sample population of suppliers who showed low ESG scores. The initiative was designed to see if we could support those suppliers in improving those scores and we continue to be pleased with the overall positive response. We continue to participate in business update sessions focused on supply chain and virtual trade events. Our Supplier Awards in 2024 were held in November and recognised excellence in the supply chain along with giving a wide range of suppliers the opportunity to interact with both the Procurement Team and other ScottishPower employees.

Engagement with our supply chain is always a critical activity for us but has become even more important as we adapt to geopolitical and macroeconomic challenges (refer to the ‘Group principal risks and uncertainties’ section for further details). In order to address any concerns on capacity and availability of the supply chain that could impact delivery we have been taking a longer term approach on contracting. In Energy Networks, we have entered into Strategic Agreements with 19 suppliers that secures capacity and commitment for an estimated £5.4 billion of transmission projects over the next ten years and we are securing manufacturing slots for transformers through to 2030 delivery. In offshore wind we are ensuring that we have supplier commitments prior to participating in UK Government CfD Auction Rounds.

COMMUNITY AND ENVIRONMENT

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

INNOVATION

It has never been more important that we continue to innovate and drive forward towards our decarbonised smart energy future. By championing innovative technologies, bringing down the costs of decarbonisation and ensuring that no communities are left behind on the road to net zero, we continue to lead by example in making sure clean, affordable energy is available to all.

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

We continue to work with the University of Strathclyde and SSE plc through the Technology and Innovation Centre’s Scottish Low Carbon Power and Energy Partnership. For more than a decade, this industry-leading programme has provided us with focused engagement directly with academic experts and industry counterparts, allowing ScottishPower to conduct valuable research and development in areas including the operation and maintenance of wind turbines, digital electricity networks and enhanced data analytics for optimised energy trading. New areas of research in 2024 have incorporated a strategic approach to project identification, driving work on areas such as green hydrogen, floating offshore wind and BESS as a facilitator of EV charging infrastructure.

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

Energy Networks

Energy Networks consistently strives to push boundaries and set new standards, solidifying our position as industry leaders. Energy Networks has continued to demonstrate our unwavering commitment and ability to exceed expectations in innovation. We carry out innovation with a focus on creating tangible benefits for our customers and accelerating progress towards the UK’s decarbonisation targets. Throughout 2024, we have made remarkable strides in integrating innovation into our everyday operations.

Our Predict4Resilience (“P4R”) project has made significant advances towards an AI-driven solution for predicting faults on the electricity network caused by severe weather; working closely with our control room staff to run live trials of the system. P4R will help Energy Networks to mobilise engineers and equipment ahead of a severe weather events, to shorten the time that power supplies could be disrupted.

We have secured over £21 million of innovation funding through the Ofgem Strategic Innovation Fund to deliver flagship projects that build on our leadership in power electronics, network resilience and whole energy system approaches:

- Our D-Suite project, in partnership with UK Power Networks, Newcastle University and Integrated Powertech, has been awarded over £8 million to explore the feasibility of using power electronic technologies on low-voltage networks to support the growth in low-carbon technologies by making available more capacity whilst mitigating costly network reinforcements.

Group Strategic Report for the year ended 31 December 2024

INNOVATION *continued*

- Our Blade project has been awarded almost £5 million to investigate and demonstrate how offshore wind farms can be used to restore the electricity network following a national power outage. To deliver this, we have partnered with Scottish and Southern Electricity Networks, the National HVDC Centre, the University of Strathclyde and Carbon Trust as well as an advisory panel, made up of offshore wind farm developers and original equipment manufacturers to influence the design of a potential commercial mechanism to be adopted industry-wide.
- The Flexible Railway Energy Hubs project was awarded over £8 million and will demonstrate a novel microgrid solution for predictable and cost-effective use of power on the railway, helping to pave the way for a significant reduction in GHG emissions, in partnership with Network Rail, the University of Leeds, Ricardo and GE Vernova.
- Building on our existing leadership in areas such as power electronics and network resilience, we are targeting innovation investment in data and digitalisation initiatives. We have partnered with leading universities: namely St Andrews, Glasgow, Strathclyde and Herriot Watt, to develop the first multi-vector digital twin of the distribution network which seeks to model the interactions between the electricity network and heat users, industrial clusters and hydrogen.

Renewable production

Renewable production business prioritises activities with a high impact on cost reduction, while keeping to our sustainability targets and promoting health and safety practices overall. This activity can be categorised into three main areas: research and development collaborative programmes, technology development, and supply chain engagement and support.

Renewable production has an installed capacity of over 3 GW and a significant pipeline across offshore wind, onshore wind, solar PV and battery storage. Key to the delivery of this future renewable production will be ensuring that our technology plays a positive contribution to supporting system strength as well as providing generation capacity. As part of this, Renewable production has engaged with the University of Strathclyde and across the industry to identify the solutions that will enable renewables to integrate seamlessly into the energy system. The results of this work have enabled Renewable production to optimise future projects, identify technology enhancements and incorporate solutions and services into our pipeline of generation projects.

In 2024, Renewable production has made remarkable progress in offshore wind innovation, underscoring our dedication to sustainability and technological leadership. We have actively supported innovative small and medium-sized enterprises ("SMEs") in the UK, for example through the Offshore Renewable Energy ("ORE") Catapult programme Launch Academy 4.0, fostering a collaborative environment that accelerates the development of pioneering technologies. This initiative has enabled us to harness the creativity and expertise of SMEs, driving forward the next generation of offshore wind solutions.

Our commitment to promoting Nature Inclusive Designs ("NIDs") is evident through our participation in the European-funded project, NiD4OCEAN. This project integrates ecological considerations into the design and operation of our offshore wind farms, enhancing biodiversity and ecosystem health. By incorporating NIDs principles, we are not only minimising the environmental impact of our operations but also contributing to the preservation and enhancement of marine habitats, demonstrating our holistic approach to sustainable development.

Additionally, our involvement in key programmes and projects such as ORE Catapult Floating Offshore Wind Centre of Excellence, Carbon Trust Integrator and the Offshore Wind Accelerator ("OWA"), highlights our proactive stance in shaping a more affordable and environmentally friendly offshore wind industry. These collaborations enable us to lead the way in creating innovative, cost-effective solutions that benefit both the environment and the economy. By not only following, but also setting the path forward, we are committed to driving the offshore wind sector towards a sustainable future, ensuring that our projects are both economically viable and ecologically responsible.

Customer business

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

As part of our ongoing commitment to improving our customers' experience, we successfully moved our customer relationship manager system to a cloud-based solution in August. Our move to SAP RISE is another step towards our goal to deliver a more integrated experience, with the best service, for our customers.

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

We are progressively implementing an industry-leading Home Energy Management System ("HEMS") to give customers better control of low-carbon technologies and insight on overall energy consumption. The solution will enable customers to automate, control and optimise their low-carbon technologies, monitoring home consumption with near real-time visibility of energy usage within the ScottishPower customer app. This 'Energy Insights' feature in the customer app has won several awards, including recognition for Best App at the UK eCommerce Awards. HEMS will provide the opportunity for deeper engagement with customers on the savings that can be achieved through control of their assets based primarily on the greenest and cheapest times of the day for energy prices. In 2024 we introduced a new feature called EV Optimise in our customer app, which helps customers benefit from lower-cost electricity to charge their EVs.

The business has helped our customers to benefit from the flexibility market through participation in domestic customer demand response initiatives, such as NESO's Demand Flexibility Service. Eligible smart meter customers use the ScottishPower app which notifies them of certain peak times when reducing their consumption helps balance supply and demand. As well as reducing their energy usage and having a positive impact on their carbon footprint, customers are rewarded for every kilowatt hour ("kWh") they turn down, when compared to their baseline usage. In 2024 we have developed and enhanced our Power Saver solution to include Half Price Weekends and Bonus Events. This incentivises eligible smart meter customers to consume during hours seen as greener. We continue to be a partner in Project EQUINOX, a Network Innovation Competition heat pump flexibility project with our customers participating in the project's third year of trials this winter.

Group Strategic Report for the year ended 31 December 2024

INNOVATION *continued*

We are a supporting partner on a number of innovation projects that are developing inclusive smart solutions. In the Warm Home Prescription project, led by Energy Systems Catapult ("ESC") we are directing the benefits from our ECO 4 whole-home upgrade programme to support health and social care provision. As part of the Inclusive Smart Solutions Project, also led by the ESC, we have helped develop accessible customer interfaces with an app-based flexibility service. Finally, we are working with Energy Networks and East Ayrshire Council on the Equiflex project to find the best ways to extend consumer access to flexibility services.

ANTI-BRIBERY AND ANTI-CORRUPTION

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

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

Ethics is at the heart of our business model and is embedded in our corporate governance structure and in our policies and procedures for managing our suppliers. The SPL Board has fully adopted the Iberdrola Code of Ethics, which establishes the expected behaviours for ScottishPower employees, suppliers and representatives, and sets a zero-tolerance approach to non-compliance. The SPL Board has also approved a ScottishPower-specific Code of Conduct to support and supplement the Iberdrola Code of Ethics. This Code of Conduct summarises the expectations on our employees in terms of behaviours, how they must conduct themselves, and encourages and supports ethical decision-making.

We maintain a strong Anti-Bribery and Corruption Policy. Together with our more detailed Compliance and Ethics Manual, this ensures that employees understand their obligations, have the appropriate means to comply with the policy and create a clear route for action in case of a breach.

The Compliance Unit manages an annual risk assessment process which includes an assessment of fraud, bribery and corruption risks across the Group and identifies any required actions or mitigation to address those risks. In 2024, an in-depth standalone Bribery Risk Assessment was carried out, which concluded that the risk 'Criticality' was 'Low' across each of the divisions. The outputs of the Risk Assessment were communicated to the SPL ACC. Compliance measures are in place to support employees in their roles, based on risk, including training and awareness activities, based on employees' obligations. All employees are asked to undertake our overarching Code of Ethics training on a regular basis, which includes education on anti-bribery and anti-corruption, and targeted coaching is provided for those functions and roles which are identified as needing greater focus or guidance.

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

We maintain a 'speaking out' service, with several routes for employees, suppliers, stakeholders, or the public to raise concerns confidentially or anonymously. We have a clear policy of non-retaliation for any person who makes a report through the speaking out service in good faith. Our compliance programme retained Compliance Leadership Verification status in 2024 as assessed by independent firm Ethisphere. We obtained ISO 37001 certification for our anti-bribery and anti-corruption programme in 2023 and retained this in 2024.

The UK Government's commitment to fighting economic crime was further strengthened in 2023 with the passing of the Economic Crime and Corporate Transparency Act 2023. Among other reforms aimed at tackling economic crime and prevent fraudulent businesses, this act creates a new corporate offence of 'Failing to Prevent Fraud'. The specific effect of this new offence will come into effect from 1 September 2025, following the Government publishing its associated guidance. We are confident in our commitment to prevent fraud across our organisation and are now in the process of reviewing our procedures against the scope of the guidance.

HUMAN RIGHTS

Respect for human rights is an intrinsic element of our Governance and Sustainability System, forming part of our core values. We maintain a clear hierarchy of policies that are designed to ensure that ethical, sustainable values and fair labour practices are at the heart of our business operations, which includes the Iberdrola Code of Ethics, the Iberdrola Policy on Respect for Human Rights, and our Purchasing Policy.

The term 'modern slavery' covers both slavery and human trafficking. We are committed to human and labour rights and to eliminating modern slavery that could in any way be connected to our business. In accordance with the Modern Slavery Act 2015, we maintain our own Modern Slavery Statement, which is subject to annual approval by the SPL Board. This statement is published at www.scottishpower.com.

In 2024, we retained our membership of the Slave Free Alliance, a not-for-profit organisation working in collaboration with businesses to enhance and support their wider framework around ethical trade, sustainability, compliance, corporate social responsibility, and human rights. This membership provides a valuable opportunity to educate and inform on how to address potential issues of modern slavery in our supply chain.

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

Group Strategic Report for the year ended 31 December 2024

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

Our confidential 'speaking out' service includes an initial control, which requires every report to be assessed for potential human rights impacts before it can be recorded. Certain categories of claims are automatically considered to have a potential human rights issue and are being recorded as such. We also monitor suppliers for potential human rights issues as part of our third party screening. In 2024, we admitted 17 claims for processing which were recorded as having a potential human rights issue based on the root cause. However, we did not identify any claims or cases relating to material or significant human rights impacts that triggered precautionary measures.

HOW SCOTTISH POWER UK PLC PERFORMED

Financial highlights

- Revenue £6,583 million
- Operating profit £1,905 million
- Capital investment £2,252 million

2024 Group operating performance

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

Financial key performance indicators ("KPIs")	Revenue (Note (a))		Operating Profit (Note (a))		Capital Investment (Note (b))	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Scottish Power UK plc	6,583	9,454	1,905	1,912	2,252	1,844

(a) The Group's revenue and operating profit as presented on the Consolidated income statement on page 73.

(b) Additions to Intangible assets (refer to Note 6(a) on page 91) Property, plant and equipment and reassessment of decommissioning asset within Property, plant and equipment (refer to Note 7(a) on page 93).

Revenue has decreased by £2,871 million to £6,583 million in 2024 as a result of reduced Customer business revenues. Retail domestic revenue decreases were due to lower energy costs being reflected in the retail domestic standard variable tariff ("SVT") price cap. Business revenue reductions were due to the continued impact from the 2022 decision to exit the Industrial and Commercial ("I&C") supply market. Energy Networks' revenues increased by £122 million reflecting higher investment.

Operating profit for 2024 was £1,905 million, a reduction of £7 million. Increased allowable revenues in Energy Networks were largely offset by reduced Customer business operating profits (mainly due to specific 2023 domestic price cap recoveries not repeated in 2024).

Capital investment

ScottishPower's capital investment increased by £408 million to £2,252 million in 2024, primarily reflecting increased spend in Energy Networks' transmission business as we progress through RII0-T2.

Statement of financial position

Net assets of the Group increased by £1,643 million in the year to £9,026 million. This reflects the impact of the statutory profit of £1,184 million and the £1,400 million issued share capital. This is offset by total dividends paid of £971 million to the parent and non-controlling interests.

Investments accounted for using the equity method have increased by £2,265 million primarily as a result of the NWEN acquisition, for further information refer to Note 10.

Liquidity and cash management

We operate and manage a centralised cash management model within the UK, with liquidity being managed at the Company level. Our liquidity position and short-term financing activities are integrated and aligned with Iberdrola's.

The Iberdrola Group's objective is to retain sufficient liquid resources and facilities to cover anticipated cash flow requirements for a period in excess of twelve months; currently liquidity in the Iberdrola Group is in excess of €19 billion, which can be utilised, if required, to fund our activities.

Net cash flows from operating activities increased by £230 million to £2,145 million for the year, as detailed on page 76. Net cash flows from investing activities have increased by £3,612 million. This is primarily due to the acquisition in the year. Net cash flows from financing activities have increased primarily due to the share capital issue and the increase in on demand loans payable due to related parties.

As detailed in the table below, cash decreased by £67 million to £92 million, including £28 million of restricted cash. Overall net debt increased by £2,363 million to £8,677 million principally due to an increase in Loans payable to related parties.

Group Strategic Report for the year ended 31 December 2024

HOW SCOTTISH POWER UK PLC PERFORMED *continued*

Analysis of net debt	Notes	2024 £m	2023 £m
Cash	(a)	92	159
Loans receivable from related parties	(b)	998	915
Loans payable to related parties	(c)	(7,740)	(5,068)
Loans payable to external counterparties	(c)	(1,253)	(1,645)
Japanese Yen collateral	(d)	(8)	(15)
Lease liabilities	(e)	(621)	(592)
Accrued interest	(c)	(257)	(186)
Interest receivable from related parties	(b)	102	100
Cross-currency swap	(f)	10	18
Net debt	(g)	(8,677)	(6,314)

(a) As detailed on the Consolidated statement of financial position on pages 71 and 72.

(b) As detailed in Note 12(a) on page 116.

(c) As detailed in Note 17(a) on page 120.

(d) As detailed in Note 18 on page 122.

(e) As detailed in Note 8(d) on page 96.

(f) As detailed in Note 11(c) on page 107.

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

Capital and debt structure

The Company is funded by a combination of debt and equity; all equity is held by Scottish Power Limited. Our financing structure is determined by our position in the wider Iberdrola Group. As stated below, we can obtain funding via the liquidity resources maintained at the Iberdrola Group. The Company holds investment grade ratings with Moody's Investor Services (Baa1), S&P Global Ratings (BBB+) and Fitch Ratings (BBB+). There are no financial covenant obligations in relation to our external debt. Details of our financial risk management policy are set out in Note 11.

During the year, the Company issued 2,800,000,000 new ordinary shares of £0.50 each to its parent company, SPL. For further information refer to the Company statement of changes in equity on page 75.

Dividend policy

The directors have had regard to the key principles of the Iberdrola, S.A. Shareholder Remuneration Policy, as noted by the Company, which include that shareholder remuneration must: (i) be sustainable; (ii) be compatible with the maintenance of financial strength; and (iii) take account of the financial profile of comparable companies. During 2024, interim dividends of £850 million were declared and paid to the parent (2023 £780 million).

Investment and funding

The overall funding objective is to maintain a forecast debt position for the various Group entities at least in line with their current credit ratings. As indicated above in the Capital and debt structure section, the ongoing support of the ultimate parent company for future funding and liquidity provides a central underpinning for the directors in their assessments of ongoing funding for the Company and Group.

Taxes and other government obligations

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

Analysis of taxes and other government obligations	Notes	Consolidated income statement expense		Cash tax paid in the year	
		2024 £m	2023 £m	2024 £m	2023 £m
Social security costs	(a)	45	39	44	38
Taxes other than income taxes	(b), (c)	500	368	507	378
UK Corporation Tax	(d)	289	231	142	52
		834	638	693	468

(a) Consolidated income statement expense detailed in Note 22 on page 124.

(b) Consolidated income statement expense detailed in Note 23 on page 125 and includes Electricity Generator Levy of £130 million (2023 £56m).

(c) Cash tax paid in the year includes £130 million of Electricity Generator Levy (2023 £56m).

(d) As detailed in Note 27 on page 126.

Group Strategic Report for the year ended 31 December 2024

SCOTTISHPOWER DIVISIONS ENERGY NETWORKS

Introduction to Energy Networks division

Energy Networks is responsible for three regulated electricity network businesses in the UK. These businesses are 'asset-owner companies', holding the regulated assets and the electricity transmission and distribution licences of the Group, and are regulated monopolies. They own and operate the network of cables, power lines and substations transporting electricity to around 3.5 million connected customers in the Central Belt and South of Scotland, Cheshire, Merseyside, North Shropshire and North Wales.

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

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

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

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

Operating review

Transmission business

In April 2024, we moved into the fourth year of the five-year RIIO-T2 price control period and we are still on track to deliver our agreed outputs during the remainder of the price control period. The publication of the National Grid ESO's Holistic Network Design ("HND") identified a need for strategic investments of more than £5 billion in Energy Networks' transmission projects in South and Central Scotland by 2030. We continue to develop plans to deliver these significant investments which are key enablers to net zero targets.

The Eastern High Voltage Direct Current ("HVDC") link project, EGL1, is being developed through a partnership with National Grid Electricity Transmission. The project is progressing as expected, nearing the end of the development phase. Construction work is planned to commence in 2025 with a public groundbreaking ceremony held in February 2025 at Torness.

Distribution business

The second year of the five-year, £3 billion, RIIO-ED2 price control period commenced on 1 April 2024. We are proud of our performance in the first year of RIIO-ED2 which ended in March 2024, delivering on our commitments and making progress against our targets. We are delivering greater levels of network investment across reinforcement, modernisation, and resilience programmes whilst adopting smarter solutions and delivering greater network monitoring to enable Distribution System Operator ("DSO") and flexibility services. Implementation of the RIIO-ED2 delivery plan continues to deliver the increased volume of activity required including increased recruitment in key areas coupled with external contract placement.

In continuation of the process agreed in 2022 with Ofgem, recovery of supplier of last resort payments to suppliers were included in distribution use of systems tariffs charged from April 2023, resulting in a broadly neutral cash and earnings profile for first half of 2024.

Our values in action

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

Our Business Carbon Footprint ("BCF") emissions (excluding losses) during 2023/24 have decreased by 39% from the last regulatory year in our distribution business. We are on track to reach our medium-term target of an 80% reduction in greenhouse gas emissions by 2030 (from the 2013/14 baseline). The most significant reductions were a decrease in emissions associated with substation energy use.

In our transmission business good progress has been made with our BCF. In 2023/24, our annual BCF (excluding losses) was 18,481 tonnes of carbon dioxide equivalent ("tCO₂e"). This is 9% lower than in 2013/14 when we first started measuring our BCF. However, the 2023/24 annual BCF emissions increased from the previous year principally due to an 'exceptional' Sulphur hexafluoride leakage event which occurred at Hunterston Conversion Station in June 2023. This event led to an increase of 5,311 tCO₂e which accounts for 29% of this year's BCF. Excluding this exceptional event, the annual BCF would have been 13,170 tCO₂e which is a 35% reduction since first measured.

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

2024 performance

Financial KPIs	Revenue		Operating profit		Capital investment	
	2024	2023	2024	2023	2024	2023
	£m	£m	£m	£m	£m	£m
Energy Networks	1,713	1,591	924	718	1,259	929

Group Strategic Report for the year ended 31 December 2024

SCOTTISHPOWER DIVISIONS *continued*

Energy Networks' revenue has increased by £122 million since the prior year. Distribution revenues are £46 million lower in relation to Supplier of Last Resort ("SoLR") levies. There is an equal and opposite variance within procurements. Underlying distribution revenues are £179 million higher than the prior year reflecting higher base revenues (including recovery of revenues from prior periods) as well as a 0.5% (primarily domestic) increase in volumes. Allowable transmission revenues have decreased by £11 million.

Operating profit has increased by £206 million since the prior year largely due to increased allowable revenue pricing, a favourable £58 million movement in a regulatory provision (refer to Note 16(a)) as well as a reduction in depreciation due to a change to the useful economic life of onshore underground cable assets. These were partly offset by increased regulatory net operating costs and asset growth impacts.

Energy Networks' capital investment increased by £330 million to £1,259 million in 2024, primarily due to higher transmission spend. Higher levels of investment are expected to continue to facilitate UK net zero targets as we progress through RIIO-T2 and also into RIIO-ED2.

Non-financial KPIs	Notes	Actual 2024	Target 2024	Actual 2023	Target 2023
Distributed energy (GWh)	(a)				
- SPD		15,290	N/A	15,351	N/A
- SPM		12,952	N/A	12,758	N/A
Annual reliability of supply	(b)				
- SPT		99.99%	N/A	99.99%	N/A
Customer interruptions	(c)				
- SPD		32.9	42.8	36.3	49.8
- SPM		32.9	30.9	30.3	35.7
Customer minutes lost	(d)				
- SPD		26.3	26.4	25.4	39.8
- SPM		33.6	26.8	31.9	35.0

(a) Gigawatt hours ("GWh").

(b) Annual reliability of supply is provided by the ESO, National Grid.

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

(d) The customer satisfaction measure is an Ofgem led survey which captures feedback from customers who have interacted with the DNO, including those who have experienced supply interruptions, requested new connections, or made general inquiries. Customers rate their satisfaction on a scale from 1 to 10. SPM was impacted by periods of bad weather and storms. This resulted in a higher than average number of faults.

Policy and regulation

Transmission

The indication from NESO in their Clean Power Report published on 5 November 2024 is that Clean Power 2030 ("CP2030") is achievable, however, there are key policy changes that need to be made, including delivering on the recommendations of the Electricity Networks Commissioner's 'Winner Report'. We strongly support the NESO's connections reform process, which will play a key role in delivering CP2030, including queue management to prioritise connections that demonstrate progress, and the use of technology lenses.

Furthermore, on 22 October 2024, the NESO was formally commissioned by the UK, Scottish and Welsh Governments to develop a SSEP. This will be the first comprehensive spatial strategy for GB's energy infrastructure.

Distribution

The National Infrastructure Commission ("NIC") is conducting a study to review DNO readiness for net zero. The NIC held an update meeting with the DNOs and ENA recently to discuss their emerging thoughts. The core recommendations are likely to focus on strategic planning, connections (e.g., customer experience) and price controls, with planning and consenting, supply chain and skills as enabling recommendations.

Ofgem's consultation on RIIO-ED3 framework was published 6 November 2024. This consultation is the first step in the RIIO-ED3 price control process and will set out the building blocks for the electricity distribution price control period due to start in 2028, covering the overarching Ofgem objective for the price control and the consumer outcomes they will be looking to achieve.

Outlook for 2025 and beyond

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

A key focus for 2025 will be the targeted delivery of increased activity associated with regulatory outputs of next year of both RIIO-ED2 and RIIO-T2. RIIO-ED2 is particularly significant for the decarbonisation of transport and domestic heating, and the connection of low-carbon electricity (additional 5 GW) as the business drives towards net zero goals building in innovation whilst maintaining high levels of asset stewardship.

In July 2024, Ofgem published its Sector Specific Methodology Decision ("SSMD") for GB Electricity Transmission, covering the RIIO-T3 price control period from 2026 to 2031. In response to the SSMD, we looked closely at the detail of their decision, worked constructively with Ofgem and engaged with our stakeholders culminating in the submission of final business plan in December 2024. The RIIO-T3 draft determination is due in summer 2025 with final determination expected in winter 2025.

Group Strategic Report for the year ended 31 December 2024

SCOTTISHPOWER DIVISIONS *continued*

RENEWABLE PRODUCTION

Introduction to Renewable production

Renewable production is responsible for the origination, development, construction, operation and decommissioning of renewable generation plants, principally onshore and offshore wind, with a growing presence in technologies such as battery storage and solar.

Renewable production currently has more than 40 onshore operational sites alongside our EA1 and WoDS offshore wind farms, totaling 3 GW of operational capacity across our portfolio. We have taken positive investment decisions in 2024 resulting in us currently having six projects in the construction phase across onshore and offshore wind and battery storage.

We also have a strong programme of future projects in the UK pipeline out to 2038, including: more than 9 GW of potential onshore wind, solar and battery storage projects; circa 3 GW of offshore wind within the East Anglia zone; and seabed rights for three offshore wind projects in Scotland with a total capacity of 7 GW, being one fixed-bottom site and, in partnership with Shell, two floating sites. We continue to consider further opportunities to invest more widely in renewable generation and storage, and to also explore opportunities to repower our existing fleet.

Operating review

Our assets continued to perform well throughout 2024 with good availability. Production was down from the previous year as a result of lower than expected wind speeds and due to an unplanned outage of one of our EA1 cables. Our Operations and Maintenance teams continue to develop their Operational Model and Asset Management Strategies, including internal capabilities, in order to increase operational efficiencies and performance in line with increasing capacity and the integration of new technologies.

Offshore wind

Renewable production continues to operate the EA1 (a 60/40 jointly-owned arrangement between Renewable production and Bilbao Offshore Holding Limited respectively) and WoDS wind farms (a joint arrangement with Orsted). During 2024, EA1 saw a restriction on output following an unplanned outage of one of the export cables (owned and operated by an external party). Repairs were completed in October 2024 and root cause analysis is underway.

Renewable production continues to develop the 2.9 GW East Anglian projects which consist of three offshore wind farm projects: EA3, East Anglia One North ("EA1N") and EA2 with the following key activities:

- EA3 construction activities are underway. Foundation fabrication has commenced and the offshore converter station manufacturing is progressing with electrical outfitting ongoing. The onshore converter station electrical works and civil works are on track for the onshore export cable route and a PPA was signed with Amazon for 159 MW in January 2024. In September 2024, an agreement was signed for the acquisition of land for the operations and maintenance base at Lowestoft.
- During the recent CfD AR6, Renewable production was successful in being awarded contracts for 159 MW of capacity from its EA3 project and 963 MW from EA2. The results of this auction are a major achievement for the offshore business, ScottishPower and Iberdrola.
- Following the CfD award, EA2 has now achieved the final investment decision ("FID") and is moving towards the construction phase. The main onshore archaeology campaign began in October 2024, shortly after the FID decision with onshore civils works starting in Q4 2025.
- EA1N is continuing to be developed to allow it to participate in upcoming CfD auctions. The development consent orders ("DCOs") for EA2 and EA1N are linked, and as such, both projects will trigger construction commencement when onshore site construction works begin in Q4 2025.
- The EA1N and EA2 DCOs which were subject to judicial reviews processes, have been successfully concluded and the DCOs remain in place.

Following success in the ScotWind seabed leasing round in 2022, three offshore projects with a total capacity of 7 GW are at the early stages of development; two large-scale floating projects in partnership with Shell (3 GW MarramWind and 2 GW CampionWind) and one fully owned fixed-bottom project (2 GW MachairWind). Development works are progressing for all three projects, known as the 'ScotWind' projects. On MarramWind, four public statutory consultation events were held in Northeast Scotland in June and October 2024 and Habitats Regulations Assessment ("HRA") screening reports were submitted. We are also progressing the development of the scoping report for CampionWind. In addition, there have been ongoing environmental impact assessment activities for MachairWind, and the submission of the scoping and HRA screening reports took place in October and September 2024 respectively. Furthermore, we have accepted a grid connection offer for this project.

Onshore Renewable production

Asset delivery of Hagshaw Hill Repowering Windfarm has commenced with installation works beginning in November 2024 and a commercial operation date anticipated of mid-2025. When complete, the site will have a generating capacity five times that of the original wind farm.

Works are also ongoing at Cumberhead West Windfarm. Construction of the control building and civil works including a 132 Kilovolt ("kV") substation continues to progress, with an operation date anticipated in early 2026.

Harestanes BESS construction is progressing towards completion with the project now moving into its commissioning phase and expected to begin operations during 2025. Other battery storage opportunities continue to be explored for both co-located and standalone sites.

Group Strategic Report for the year ended 31 December 2024

SCOTTISHPOWER DIVISIONS *continued*

Construction at our Kilgallioch Extension and Arecleoch Extension wind farm projects, both located in South Ayrshire, have also progressed throughout 2024, adding a further nine turbines to the Kilgallioch site and 13 turbines to the Arecleoch site, thereby delivering a total of 125.4 MW additional generating capacity to our portfolio when completed.

As at the end of 2024, five onshore projects are progressing through their construction phases.

Construction on our Coldham solar farm, which is co-located with our Coldham wind farm, reached its commercial operation date in March 2024 and Renewable production has an agreement in place with Co-op to supply long-term, clean energy from the site.

Renewable production received consent in September 2024 for our Hollandmey Renewable Energy Development in Caithness, a proposal for ten wind turbines with a capacity of 50 MW, alongside solar panels of around 15 MW and a 15 MW battery energy storage facility.

2024 performance

Financial KPIs	Revenue		Operating profit		Capital investment	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Renewable production	1,484	1,310	708	633	789	755

Renewable production's revenue increased by £174 million to £1,484 million in 2024. Revenue increased due to higher energy and Renewable Energy Guarantees of Origin ("REGO") prices as well as annual indexation increases for Renewables Obligation Certificates ("ROCs") and CfDs. These price increases were reflected in sales, primarily to ScottishPower Energy Retail Limited. During 2024, EA1 saw a restriction on output following an unplanned outage at one of the export cables owned and operated by an external party. Repairs were completed and the asset became fully operational in October 2024.

Operating profit increased by £75 million to £708 million in 2024. The positive energy price impact experienced in revenues was offset by a £74 million increase in the Electricity Generator Levy ("EGL") cost as well as asset write offs (see Note 23).

Capital investment increased by £34 million to £789 million in 2024. Underlying movements include a reduction in larger project offshore spend of £104 million offset by increased investment across a few smaller onshore sites.

Non-financial KPIs	Notes	2024	2023
Wind			
Output (GWh)	(a)	7,256	7,454
Installed capacity (MW)	(b)	2,876	2,879
Availability	(c)	96%	95%
Solar			
Output (GWh)	(a), (d)	8	5
Installed capacity (MW)	(b), (d)	19	10
Battery storage			
Installed capacity (MW)	(b), (e)	101	101

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

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

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

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

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

Policy and regulation

Renewable production is actively engaged with the UK Government and devolved administrations on priority issues that inform future investment in renewable energy projects. In July 2024, the UK Government increased the CfD AR6 budget by £530 million, bringing the total to over £1.6 billion. The results were announced in September 2024, awarding contracts to 9.6 GW of capacity, including our EA3 and EA2 fixed offshore wind projects.

Looking ahead to CfD AR7 which is scheduled to open in March 2025, the new Sustainable Industry Reward regime will replace the Supply Chain Plan process for fixed and floating offshore wind. This new regime seeks to incentivise investment in sustainable supply chains, through setting minimum standards and allows projects to bid for additional revenue support for qualifying investments. Additionally, the UK Government has confirmed that eligible repowered onshore wind projects can bid for CfDs.

Throughout 2024, Renewable production has jointly led the Scottish Offshore Wind Energy Council culminating in the publication, in August 2024, of the 'Collaboration for Environmental Mitigation and Nature Inclusive Design'. This report aims to address key barriers to the consenting and development of future Scottish offshore wind projects, with a core focus on delivery of the ScotWind pipeline.

Our key influence across the UK onshore wind sector has also progressed from the Scottish Onshore Wind Sector Deal published in September 2023, through to current involvement and participation on the UK Onshore Wind Taskforce. This taskforce, chaired by the Secretary of State for Energy Security and Net Zero, aims to identify and then deliver the actions needed to radically accelerate onshore wind deployment to 2030 and beyond. Renewable production is represented on the taskforce itself together with six subgroups and are set to report recommendations and findings by Q2 of 2025.

Group Strategic Report for the year ended 31 December 2024

SCOTTISHPOWER DIVISIONS *continued*

In a wider UK context, Renewable production, as a funding partner within the offshore wind industry Council, played a lead role in shaping a Legislative and Policy Barriers Study in May 2024. This report identified the need for a co-ordination mechanism and outlined recommendations for changes to the system architecture for offshore wind leasing and consenting. The UK Government have recently responded with the establishment of 'Mission Control to deliver Clean Power for 2030'. This cross-government body will work with the Group and other leading energy companies together with Ofgem, grid operators and the NESO, seeking to remove obstacles and identify and resolve issues preventing the connection of new power infrastructure to the grid.

By the end of 2024, the ten-year review of the capacity market is due to be published and Renewable production has engaged widely with the UK Government's evidence gathering process to inform this and on shorter-term improvements to security of supply in the UK. In March 2024, the UK Government published its second consultation on the REMA, confirming its decision to retain marginal pricing and rule out nodal pricing in the wholesale market. Zonal pricing remains under consideration, along with potential reforms to the CfD scheme, capacity market and dispatch arrangements. This process is expected to continue throughout 2025 and we expect to play a key role in helping to shape the direction of government policy.

2024 also saw a year of transition across many aspects of planning policy, with a suite of Revised Energy National Policy Statements coming into force. Following the UK general election, the sector also witnessed significant changes in the approach to planning for energy infrastructure, including the removal of some onshore wind planning restrictions via changes to the National Planning Policy Framework ("NPPF") via Written Ministerial Statement in July 2024. Beyond this, wider reform is still expected to the NPPF in 2025, following the closure of a consultation by the UK Government in September 2024. Looking ahead, both UK and devolved governments are expected to continue to reform planning frameworks significantly over the coming twelve months. In Scotland, the National Marine Plan 2, expected in draft by Q4 2025, is intended to provide an up to date and clear policy framework for the consenting of ScotWind offshore wind projects.

In October 2024, NESO was formally commissioned by the UK, Scottish and Welsh governments to produce Great Britain's first SSEP. This process is likely to set out a strategic blueprint for GB's energy system, addressing the spatial requirements for future electricity generation and storage infrastructure. The SSEP's overarching goal is to create a coordinated approach to energy planning, ensuring that the transition to low-carbon energy is efficient and aligned with national goals for net zero by 2050. The first version of the SSEP will be a GB-wide spatial energy plan mapping potential locations, quantities and types of electricity and storage infrastructure and hydrogen assets. Initial development of the SSEP and engagement with stakeholders will take place throughout 2025 prior to the SSEP being completed in 2026.

Outlook for 2025 and beyond

EA3 construction is well underway with offshore construction continuing during 2025 and completion expected during 2026. During February 2025, the Group approved a plan to sell a 50% stake in its East Anglia Three business.

With EA2 now having a confirmed route to market, the focus is on moving this project towards construction, whilst development of EA1N continues.

Development works also continue for all three ScotWind projects throughout 2025, with a view to completing the scoping report for CampionWind and finalising the applications for key consents and licenses for CampionWind and MachairWind.

Renewable production continues to look for opportunities in future CfD auctions, with AR7 scheduled to open in March 2025 as well as engaging with other partners to create possible PPAs which deliver a route to market for our onshore and offshore projects.

During 2025, we look to continue to grow Renewable production with construction scheduled throughout the year on the onshore wind farms which secured CfDs under Allocation Round 4 ("AR4"), with three of these projects expected to reach their commercial operations within 2025. We are also progressing a further project which secured CfD under AR4 being Arecleoch Extension Windfarm (which is expected to enter commercial operations in 2026).

Renewable production will continue to originate, develop and mature more wind, repowering, solar, BESS and hybrid project opportunities in line with business strategy and objectives.

In parallel, and throughout all of our operations, we will continue our commitment to health, safety and the environment; ensuring everything we do is with the safety of our people, contractors and communities in mind whilst recognising the importance of biological diversity and cultural heritage, respecting natural resources and striving to enhance the environment around our developments.

CUSTOMER BUSINESS

Introduction to Customer business

Customer business is responsible for the supply of electricity and gas to domestic and business customers, including customer registration, billing and handling enquiries in respect of these services. It is also responsible for the associated metering activity including the smart meter installation programme and managing our smart solutions offerings. During 2024, an average of 4.4 million gas and electricity customers were supplied by the business. At 31 December 2024, the business supplied 4.3 million gas and electricity customers. In Customer business, we aim to deliver a top-class experience for our customers, one which is hassle-free, making it easy for customers to contact us through a range of routes, and provides flexibility to meet all of our customer needs.

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

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

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

Group Strategic Report for the year ended 31 December 2024

SCOTTISHPOWER DIVISIONS *continued*

Operating review

Supply and market conditions

The energy supply market and regulatory environment continues to be challenging for all suppliers in the industry. The absence of a product market during recent years as a result of the energy crisis resulted in most households in our portfolio being on the SVT which is subject to the Ofgem price cap. 2024 has seen a return to competition in the fixed-term product market, and as a result, an increase in the levels of switching in the market. Ofgem continued to make changes to the price cap methodology to enable suppliers to recover during 2024 some of the costs incurred for previous price cap periods most notably for bad debt. With energy prices remaining almost double the level they were three years ago, many consumers are still facing severe cost of living challenges. Customer business continues to be concerned about customer affordability, particularly considering the likely increase of energy usage and associated costs during the winter months.

With customer bills high, our operational focus remains on prompt cash collection, the retention of customers on secure payment plans, and supporting our customer base to manage their debt position. After the industry-wide pause in the use of prepayment meters ("PPMs") without customer consent which covered most of 2023, the business recommenced the use of involuntary PPMs in January 2024 after meeting Ofgem's set restart criteria. The new rules which Ofgem implemented in November 2023, increases the number of customers where an involuntary PPM is not considered an option. The business continues to engage with Ofgem on all aspects of debt, including the recovery of additional historic debt created as a result of the moratorium and the energy crisis, as well as new bad debt build up from ongoing affordability concerns and the new rules which extend the group of customers who are deemed not suitable for PPMs.

Following our decision to exit the I&C supply market in 2022, the business continues to service its remaining customer base but does not offer new fixed-term contract terms at the point of renewal. I&C customers have the option of either leaving ScottishPower at the point of contract renewal or continuing to receive a supply at default SVT prices. As a result of this policy, the I&C portfolio has continued to decrease in size during 2023 and 2024.

Recognising the UK Government's green hydrogen target of 10 GW by 2030, the business is developing a significant portfolio of green hydrogen production opportunities. The main development is the 10 MW Whitelee project which was successful in the UK Government's Hydrogen Allocation Round 1 ("HAR1"). Also, the 100 MW Felixstowe Port project (located within the UK's busiest container port), has been successfully awarded a Net Zero Hydrogen Fund grant.

Government support

The UK Government's Energy Price Guarantee ("EPG") scheme ended in March 2024. From July 2023, the discount available under this scheme only applied if prices rose above £3,000 per annum for a typical UK dual fuel household, however, the price cap remained below this level and therefore the scheme did not provide support to customers other than being used by the UK Government to provide a discount to prepayment customers to levelise the price with those for the Direct Debit ("DD") payment method from 1 July 2023 until 31 March 2024. For non-domestic customers the Energy Bill Discount Scheme ("EBDS") provided some support to customers until 31 March 2024.

The business' position remains that enduring government assistance is required to ease the burden on domestic households most at risk. To this end, we continue to engage with the UK Government and Ofgem, to champion a targeted approach to support the most financially vulnerable.

UK Energy Management

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

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

Our values in action

During 2024, governments and Ofgem continued to focus strongly on the need for suppliers to deliver a positive consumer experience for all customer groups, recognising that suppliers are required to identify the needs of their customers, especially those in vulnerable circumstances. Ofgem's focus has been on introducing additional protections for customers via new policy and regulatory developments (Refer to the 'Policy and regulation' section below for further details), and also via compliance activity with Ofgem continuing to issue market-wide reviews of supplier compliance, largely dominated by the review of the use of prepayment meters in the debt journey and support offered to those customers. The impact of rising energy prices combined with the broader cost of living crisis has seen a real challenge for our customers, with the business taking a number of actions to ensure our customer service offering can deliver for our customers in this challenging environment. This includes the actions we have taken to support customers directly, as well as supporting customers in accessing support from relevant third parties and influencing the UK Government to implement support interventions. Refer to the 'Energy customers' section of the Strategic Report for further details.

2024 performance

Financial KPIs	Revenue		Operating profit/(loss)		Capital investment	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Customer business	4,787	7,757	252	561	168	135

Customer business' revenue decreased by £2,970 million to £4,787 million in 2024, primarily driven by domestic revenues. Domestic revenue decreases were due to lower energy costs being reflected in the retail domestic SVT price cap. Business revenue reductions were due to the continued impact from the 2022 decision to exit the I&C supply market.

Customer business operating profit reduced by £309 million to £252 million. In 2023, gross margins benefitted from specific domestic price cap recoveries of £341 million which facilitated recovery of losses incurred in 2022. These allowances have not repeated in 2024. In addition, gross margins have been impacted by lower domestic volumes and lower business margins. Higher ECO costs have been more than offset by an improvement in 2024 bad debt costs.

Group Strategic Report for the year ended 31 December 2024

SCOTTISHPOWER DIVISIONS *continued*

Capital investment in Customer business increased by £33 million mainly due to customer switching activity.

Non-financial KPIs	Notes	2024	2023
Volume supplied (GWh)	(a)	30,179	33,072
Customer service performance	(b)	1st	2nd
Smart meters in portfolio	(c)	61.8%	57.0%
Customers (thousands)	(d)		
– Electricity		2,616	2,753
– Gas		1,800	1,866
		4,416	4,619

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

(b) Based on the Citizens Advice Domestic Energy Suppliers' Customer Service Report. Rankings reflect ScottishPower's position relative to the other 'Big Six' energy Companies (2023 ranking is relative to the other "Big Seven"). We have continued to invest in our customer service teams with a key focus on improving our timely management and resolution of complaints, coupled with an overall focus on service quality across all of our advisors.

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

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

Policy and regulation

During 2024, Ofgem's key focus for the retail sector continued to be on ensuring prices are fair and delivering protections for vulnerable customers, particularly those with affordability issues, and driving up consumer service standards. In delivering these priorities, its work included:

- assessment of further amendments to the default price cap methodology to reflect changes to the market since the cap was introduced and recovery of historic costs incurred by suppliers as a result of temporary changes to the market;
- assessing the future of price protection in the retail sector and tariff structure more generally including the role of default tariffs and standing charges, and whether suppliers should be able to offer cheaper tariffs to new customers;
- a programme of work to consider the need for intervention in the market to address ongoing and increasing levels of debt and affordability challenges; and
- a refresh of Ofgem's consumer vulnerability strategy.

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

In February 2024, Ofgem published its decision to introduce a levelisation and reconciliation mechanism to align prepayment prices with DD prices via adjustments to the standing charges, with the changes taking place from 1 April 2024 following the removal of similar rules under the UK Government's EPG support scheme.

Throughout 2024, we have continued to engage with Ofgem in its reviews of allowances in the price cap, including Ofgem's decision in February 2024 to allow a temporary adjustment to the price cap for twelve months from 1 April 2024 to address supplier costs related to increased levels of bad debt, and its decision in August 2024 to extend the temporary allowance for bad debt-related costs associated with increased levels of Additional Support Credit provided to prepayment customers at risk of going off supply. Ofgem has also consulted on, or issued, Requests for Information ("RFIs") relating to reviewing the methodology of the price cap regarding wholesale costs and operating costs (including the debt allowance) and we expect further changes may be implemented in 2025 after Ofgem's assessment.

Following its review of the non-domestic market, Ofgem published its decision in April 2024 to introduce new protections and extend existing protections to a greater number of non-domestic customers. This includes extending the existing Standards of Conduct and complaints handling regulations to larger non-domestic customers, with implementation phased throughout 2024.

Ofgem continues to monitor customer service and assess options to drive improvements. In September 2024 it published a Consumer Confidence paper setting out at a high level how it intends to deliver this programme of work. We await more details of this programme of work and will engage with Ofgem to influence as appropriate.

During 2024, Ofgem issued calls for input on a variety of issues related to domestic customer tariffs and debt and affordability concerns. Considerations within these workstreams include assessing the structure of tariffs and the role of standing charges, Ofgem's 'minded to' position to extend the current temporary Ban on Acquisition only Tariffs ("BAT") to be extended for a further year to 31 March 2025 and potentially on an enduring basis, the future of price protection and default tariffs within the market more generally, and options and mechanisms to address consumer affordability issues.

The UK Government remains a key stakeholder for Customer business, particularly in areas relating to the future of price regulation, and options to address affordability. We continue to engage with the UK Government on a number of these areas, as well as activity to close off the remaining government support schemes, the future of the UK Government's energy efficiency schemes and the smart meter installation programme.

The business continues to make significant efforts and investments in a challenging environment to support smart meter rollout and meet its regulatory target. As at December 2024, smart meters accounted for 61.8% of relevant meters in our portfolio.

Group Strategic Report for the year ended 31 December 2024

SCOTTISHPOWER DIVISIONS *continued*

Outlook for 2025 and beyond

During 2025, we are expecting to see developments surrounding existing consultations on operating cost allowances and bad debt recovery including those associated with the cost of living crisis as well as the losses from the new licence obligation in relation to restricting prepayment warrant activity.

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

Whilst the business is experiencing less volatility in wholesale market prices than it has over the past couple of years, and the product market has opened up again during 2024, there is still uncertainty surrounding where the product market will reach. It is recognised that whilst most suppliers are now selling fixed products, competitor pricing appears more responsible than we have seen historically.

The business has concentrated on making the adoption of smart solutions even easier by offering financing solutions for solar panels, as well as improving the design, quote and ordering experience. Focus remains on developing our public charging network for EVs and smart solutions. The key to future engagement will be to take advantage of using energy flexibly in line with the energy system, consequently our smart solutions team are developing new services to enable customers to remotely manage their smart devices including EVs.

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

ScottishPower is committed to continuing its work to develop a green hydrogen economy. In 2025 we expect to take the FID on Whitelee green hydrogen facility, which has been awarded government funding from HAR1, subject to various factors including a positive outcome in the planning application. When constructed, this project will be among the UK's first and largest green hydrogen production facility, supporting the decarbonisation of industry with clean, green fuel.

Group Strategic Report for the year ended 31 December 2024

GROUP PRINCIPAL RISKS AND UNCERTAINTIES

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

During 2024, the governance structure was supported by risk policies approved by the board of directors of Iberdrola ("the Iberdrola Board") and adopted by the SPL Board. Our business risk assessment team and independent group risk management function supported the SPL Board in the execution of due diligence and risk management. In addition, the Group is represented at the Iberdrola Risk Management Committee to ensure that the business risks are adequately assessed, monitored, mitigated and managed. Further details of the Group's governance structure and risk management are provided on page 35 and in the Directors' Report.

Following the Group's 88% acquisition of NWEN, the future integration of NWEN into the Group has become a principal risk during 2025. For further insight on the acquisition, refer to Note 10D on page 105.

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

REGULATORY AND POLITICAL RISKS	RESPONSE
<p>Compliance with regulatory obligations especially in the context of sudden changes of policy, or interventions outside established regulatory frameworks.</p> <p>Specific areas:</p> <p>Price controls – impacts Energy Networks Failure to deliver the Energy Networks' transmission and distribution outputs agreed with Ofgem in their respective price controls under the RII framework.</p> <p>Structural market uncertainty – impacts Customer business Structural uncertainty resulting from regulatory market interventions including review of price cap allowance and changes in the licence conditions for consumer protections relating to debt and affordability, including the use of prepayment in the debt journey.</p> <p>Smart meter programme – impacts Customer business The potential for non-compliance with the UK Government's mandate to complete the rollout of smart metering to customers in accordance with prescribed timescales and in relation to levels of non-operating smart meters.</p>	<p>Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained, and public backing is secured for the necessary investment in the UK energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets.</p> <p>Mitigating actions include formulating detailed investment, resource, outage, contingency plans supported by an extensive procurement strategy and having a funding strategy in place to support delivery. Good communication and coordination of activities across the business is integral to success, complemented by a comprehensive monitoring regime that provides early warning of potential issues.</p> <p>Engagement with key industry stakeholders including both Ofgem and various government departments regarding the requirement for suppliers to recover all costs, and the need to make fundamental changes to the market to ensure efficient suppliers can recover costs in the future particularly focused on increased bad debt costs. Engagement includes responding to consultations, and proactively lobbying key stakeholders providing evidence on our costs and preferred regulatory amendments.</p> <p>Dedicated project teams focused on ensuring adequate business processes and systems are developed. The teams are responsible for ensuring the rollout capability is secured to enable deployment of meters and meters operate effectively.</p>

Group Strategic Report for the year ended 31 December 2024

GROUP PRINCIPAL RISKS AND UNCERTAINTIES *continued*

GLOBAL FINANCIAL MARKET VOLATILITY RISKS – IMPACTS THE GROUP	RESPONSE
<p>Impacts arising from market and regulatory reactions to geopolitical events. As well as positive or negative changes in the UK economy these could include:</p> <ul style="list-style-type: none"> • increased volatility of commodities, inflation (and other related indices), and currencies, closely linked to the various policies of different countries, as well as global events; • movement in the market price of electricity and gas and associated impact on collateral requirements on trading positions; and • increased volatility and estimation uncertainty risks on factors affecting the pension schemes including asset values and key assumptions. 	<p>Positive and transparent engagement with all appropriate stakeholders to ensure that long-term regulatory stability and political consensus is maintained, and public backing is secured for the necessary investment in the UK energy system. Providing stakeholders with evidence of the risks of ad hoc intervention in markets. In addition to monitoring ongoing developments, the Group has specific procedures in place to manage these key market risks. Further details are as follows:</p> <ul style="list-style-type: none"> • a treasury risk management policy (comprising foreign currency, liquidity and interest rate risk) is in place to hedge financial risks which are discussed further in Note 11; • Mitigating exposure to the volatility of currencies, commodities, and other inflation indices linked to supply or service agreements is achieved through contracting different financial hedges. Exposure to currencies is always fully covered, but we are not always able to find a financial instrument to cover exposures to either Consumer Price Index ("CPI") or commodities; and • the pension scheme valuation risk is discussed further in Note 9.
CLIMATE CHANGE RISKS – IMPACTS THE GROUP	RESPONSE
<p>The risk that Iberdrola's and the Group's strategy, investments or operations have a significant impact on the environment and on national and international targets to tackle climate change, or that climate change has a significant impact on our assets.</p> <p>Refer to 'Non-financial and sustainability information statement' section of the Strategic Report for further details.</p>	<p>ScottishPower's and Iberdrola's commitment to tackle climate change is reflected in our strategy.</p> <p>Refer to the 'Non-financial and sustainability information statement' section of the Strategic Report and Iberdrola's latest Integrated Report and Sustainability Report for further details.</p>
HEALTH AND SAFETY RISK – IMPACTS THE GROUP	RESPONSE
<p>A major health and safety incident in the course of operations could impact staff, contractors, communities or the environment.</p>	<p>The Group has certified management systems in place to deliver activities as safely as possible. In addition, a ScottishPower Health and Safety function exists and provides specialist services and support for the businesses in relation to health and safety. A comprehensive framework of health and safety policy and procedures, alongside audit programmes, is established throughout the Group, which aims to ensure not only continuing legal compliance but also to drive towards best practice in all levels of health and safety operations. Further details are provided in the 'Employees' section of the Strategic Report.</p>
RECRUITMENT AND RETENTION OF STAFF RISKS – IMPACTS THE GROUP	RESPONSE
<p>Increased and appropriate resources with the correct capabilities are required to grow our businesses.</p> <p>In Energy Networks, the increased retiral rate and challenging RIIO-ED2, RIIO-T2 and RIIO-T3 programmes require substantial recruitment in the coming years.</p> <p>In Renewable production, attracting resources is a challenge with the complexity of a competitive market with scarce skilled resource.</p>	<p>Extensive focus on retention and strategic workforce planning in order to build key capabilities and future skills with targeted learning and development opportunities.</p> <p>Build a multi-channel approach to recruitment with leveraging of Iberdrola Global Talent Strategy, focus on armed forces transition and identify available resources from industries experiencing downturn.</p> <p>Increased size and skill set of our recruitment team and onboarded offshore agencies for niche hard-to-fill roles within Renewable production.</p>

Group Strategic Report for the year ended 31 December 2024

GROUP PRINCIPAL RISKS AND UNCERTAINTIES *continued*

CYBER SECURITY RISKS – IMPACTS THE GROUP	RESPONSE
<p>We operate within an environment where there is the presence of sophisticated and opportunistic cyber security threat actors motivated to identify and take advantage of flaws and weaknesses in our cyber security defences. ScottishPower, in alignment with UK Regulation, takes the protection of our Data and the provision of our essential services very seriously. We continue to invest significantly in our people, processes, and technologies to enhance our capabilities to prevent, detect and respond to security threats.</p> <p>The main risks are:</p> <ul style="list-style-type: none"> Operational technology used to manage Renewable production, management and distribution of energy, or physical safety systems (fire protection, CCTV, alarm reception centres). IT that enables us to operate critical services. The confidentiality, integrity, and availability of our key information assets. Risk of the Group's network, systems and/or data being compromised due to Supplier security controls being insufficient, resulting in data loss, critical service interruption, regulatory sanctions, and reputational damage. Other cyber security risks impacting reputation. 	<p>We continue to focus on our enterprise security risks through enhanced internal governance, complemented by the adoption of a 'three defence lines model' with clear roles and responsibilities established across the Group. This has involved the appointment of a ScottishPower Chief Information Security Officer as well as the appointment of a Business Information Security Officer in each of our businesses.</p> <p>These risks are managed in accordance with the basic principles defined in internal cyber security rules promoting the safe handling of data, use of IT and communications systems, use of operational technology systems and assets, and other cyber assets, reinforcing detection, prevention, defence, and response capabilities against possible attacks. Risks are also managed through identification of critical suppliers and cybersecurity maturity reviews in third parties. We have also built in cyber security checks and monitoring as part of our tendering and supply chain relationships.</p> <p>The Iberdrola Group currently has specific insurance against cyber risks, under the terms allowed by the insurance market, which is revised and updated periodically in view of the rapid evolution and wide variety of cyber risks.</p>
SUPPLY CHAIN RISKS – IMPACTS THE GROUP	RESPONSE
<p>Interruption due to geopolitical circumstances and higher costs as a result of movements in commodity prices, increased risk of supplier failure due to the deterioration of industrialised economies and excess demand over supply.</p>	<p>Identifying potential shortages, delays and gaps in the supply of products, equipment and labour. The supply chain is advised by the Procurement department in conjunction with advice from the Compliance, Legal and Risk departments. The upward pressure on costs due to the macroeconomic environment is managed, and strategies, such as hedging and expanding our supplier base, are developed and implemented. The risk is spread through supply chain engagement, especially with new suppliers in new business areas and technologies. Where necessary, levels of key areas of inventory will be increased as well as ongoing monitoring of underlying commodity costs and adherence to hedging policy.</p>
PROJECT DELIVERY RISK – IMPACTS ENERGY NETWORKS AND RENEWABLE PRODUCTION	RESPONSE
<p>Failure to deliver large and complex projects on time and within budget.</p>	<p>ScottishPower and Iberdrola have a strong track record in delivering large-scale engineering projects with significant experience from developing numerous onshore and offshore wind farms and Energy Networks projects. Project delivery is supported by the use of established and experienced suppliers and advisors, along with robust financial management including appropriate foreign exchange hedging and funding strategy.</p> <p>Continue constructive engagement with Ofgem on plan deliverability and regulatory regime around HND projects.</p>
REDUCED SECURITY OF SUPPLY RISKS – IMPACTS THE GROUP	RESPONSE
<p>Reduced security of supply due to potential asset failures alongside decreased generation capacity.</p> <p>Reduced security of supply has the potential to disrupt many of our customers, in both our own licence areas and beyond.</p>	<p>Risk-based asset investment programme in place, business continuity and emergency planning well established including Electricity System Restoration Strategic spares policy in place. Continuing engagement with Ofgem on GB resilience. Focus on deepening relationship with customers through increased product holding and other value-add features and benefits, designed to improve customer engagement and retention, and growth in capacity of our sales channels.</p>

Group Strategic Report for the year ended 31 December 2024

GROUP PRINCIPAL RISKS AND UNCERTAINTIES *continued*

RISKS OF INTERRUPTIONS TO NET ZERO TIMESCALES – IMPACTS ENERGY NETWORKS	RESPONSE
Network operators are key facilitators to governments' net zero ambitions and the failure of Energy Networks to respond to customers' changing requirements through the low-carbon transition (for example EVs, distributed generation and storage) could result in a failure to meet these targets.	Mitigating actions influencing developments at industry forums, undertaking scenario modelling of the impact of low-carbon technologies, considering technical and commercial innovation projects, engaging with key stakeholders and owning a clear DSO vision.
COST OF LIVING CRISIS RISKS – IMPACTS CUSTOMER BUSINESS	RESPONSE
Increased focus on affordability due to sustained higher energy prices and increased cost of living creates a greater number of consumers at risk and a greater burden on suppliers to service and support customers. Increase in the level of overdue debt specifically in Customer business, driven by the impact of sustained higher energy bills, the ongoing high cost of living and regulatory changes implemented by Ofgem, specifically around PPM installation restrictions, impacting on the level of debt write-off required.	We continue to deliver on improvement actions in relation to vulnerability and affordability. Engagement continues with the UK Government, third parties and Ofgem, on the challenges facing suppliers in supporting customers with affordability issues, the need for more targeted consumer protection for our most vulnerable customers and measures to address the historic debt built up. There are measures in place across Customer business to manage the key drivers of overdue debt, assess and implement remedial and preventative action, and to establish key metrics to monitor progress in reducing debt levels. Refer to Note 12 for further details.
MARKET POSITION RISK – IMPACTS CUSTOMER BUSINESS	RESPONSE
Impact of competition on Customer business' market share and profitability.	Constantly managing our operating cost base to ensure that our profitability is protected and focusing on growth through organic and other acquisition opportunities. Focus on deepening relationship with customers through increased product holding and other value-add features and benefits, designed to improve customer engagement and retention, and growth in capacity of our sales channels.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

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

NON-FINANCIAL TOPIC	OUR POLICIES, PRINCIPAL RISKS AND KPIS RELATING TO EACH TOPIC	PAGE REFERENCE
Environmental matters	<ul style="list-style-type: none"> Environmental strategy and policies Environmental risks Environmental KPis 	<p>Refer to pages 35 to 38</p> <p>Refer to pages 39 to 44</p> <p>Refer to pages 45 to 47</p>
The Group's employees	<ul style="list-style-type: none"> People strategy and policies People-related risks People KPis 	<p>Refer to pages 5 to 9</p> <p>Refer to page 27</p> <p>Refer to pages 5 to 9</p>
Social matters	<ul style="list-style-type: none"> Community-focussed strategy and policies 	Refer to pages 49 to 52
Human rights, anti-corruption and anti-bribery	<ul style="list-style-type: none"> Human rights and anti-slavery policies Compliance and whistleblowing policies 	Refer to pages 15 and 16

Group Strategic Report for the year ended 31 December 2024

SUSTAINABILITY

Building an energy model for future generations

As the first integrated energy company to generate only 100% green electricity, sustainability sits at the heart of all we do and is embedded across our businesses. We are dedicated to sustainable development, whether it's serving millions of customers across the UK, employing thousands of people, or investing billions of pounds in the UK economy.

Our sustainable energy business model emphasises environmental stewardship, combating climate change, and aligning with the United Nations' Sustainable Development Goals ("UN SDGs"). We focus particularly on SDG 7 (affordable clean energy) and SDG 13 (climate action), which align closely with our goals of generating renewable energy and providing solutions to help our customers reduce their environmental footprint.

Our commitment to the UN SDGs goes beyond our direct actions and influences how we operate. Sustainable development is integrated into our internal processes, supply chain requirements, and relationships with customers and other stakeholders.

In April 2023, we launched Action 2030, ScottishPower's inaugural Sustainable Development Strategy, setting out our vision and ambitions for the changes we aim to achieve by the end of the decade. Action 2030, with its six key themes and multiple related targets linked to the UN SDGs, provides a clear pathway for everyone at ScottishPower to contribute to a sustainable future. In line with Iberdrola's global ESG targets introduced in November 2022, we are already making progress in our six key sustainability themes: clean energy, climate action, biodiversity and ecosystems, circular economy, our communities, and work and skills.

We are committed to ensuring Action 2030 remains ambitious, and with two of the targets already having been achieved we will carry out a review throughout 2025 to accelerate our progress even further, updating and adding targets to reflect the aspirations of the organisation in driving positive outcomes for society and the environment we all depend on.



Our progress as of 31 December 2024 is outlined overleaf;

Group Strategic Report for the year ended 31 December 2024

SUSTAINABILITY *continued*



Clean energy

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

Treble onshore Renewable production capacity by 2030

Throughout 2024 we have continued to look to develop the portfolio and make progress, receiving consent to repower and modernise turbines, increasing capacity whilst reducing footprint.

Treble offshore Renewable production capacity by 2030

Through our EA1 and WoDS wind farms we currently have operational capacity of 1.1 GW. EA3 and EA2 are in construction and EA1N is in development.

Deliver 500 MW of green hydrogen capacity by 2030

We have now signed contracts with the UK Government for two initial projects supporting the decarbonisation of industry. Four additional projects were submitted into the subsequent Hydrogen Allocation Round and are being evaluated. Scalable projects continue to be developed to continue in future rounds.

Provide 4.8 million smart solutions by 2030

In addition to our existing portfolio of home energy management products, in 2024 we launched two new propositions; EV Optimise and PowerSaver Half Price Weekends, enabling customers to maximise energy usage at a discounted time, backed by a national marketing campaign promoting these products along with our solar panel and battery offer.

Investing £4.5 billion in Energy Networks by 2028

In 2024 our investment in our transmission and distribution networks accelerated as we modernise the network for future demand, slightly exceeding our 2024 year-end target.



Climate action

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

Reduce Scope 1, 2, and 3 emissions from fuel and energy related activities and use of sold products 64% by 2030

We continue to deliver our GHG Emissions Reduction Plan ("ERP") actions, with a strong focus on supply chain emissions and embodied carbon. Overall, we have seen a 5% increase in GHG emissions in 2024 compared to 2023 but a 16% reduction since our 2019 baseline year.

Reduce absolute Scope 1 and 2 GHG emissions 47% by 2030 from a 2019 base year

Our Scope 1 and 2 combined emissions increased by 2% during 2024 due to increased energy distributed. However, we have achieved a 22% reduction since 2019, and we are on track to achieve our 2030 target.

100% sustainable light vehicle fleet by 2030

We have exceeded our 2024 target, and are on track to meet to 2030 commitments.

Reduce Scope 3 (cat 3) emissions from all sold electricity 100% per megawatt hour ("MWh") by 2030 from a 2019 base year

Our Scope 3 sold electricity emissions increased by 5% this year, however these emissions have decreased by 1% since 2019 and remain on track for our 2030 target despite challenging energy market conditions.

Reduce absolute Scope 3 GHG emissions from use of sold products by 28% by 2030

Our Scope 3 use of gas sold emissions increased by 1% this year, driven by increased customer demand, however, we have achieved a 29% reduction since 2019, surpassing our 2030 target.

SUSTAINABILITY continued



Biodiversity and ecosystems

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

Deliver net positive impact on biodiversity by 2030

We have collaborated and shared learnings via our Nature Working Group, held biodiversity metric workshops, piloted biodiversity action plans and developed a draft Nature Plan for release in 2025.

Conserve, restore and plant 5 million trees by 2030 against a 2020 baseline

We have conserved, restored, and planted over 1 million trees since our 2020 baseline.



Circular economy

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

Develop a detailed circular economy action plan by 2025

We benchmarked against other leading circular economy strategies and commenced the development of our detailed circular economy action plan.

Zero waste to landfill by 2030

We achieved 97% diversion from landfill, exceeding our 2024 target of 92%.

100% wind turbine blade recycling by 2030*

We continued to further develop our understanding of existing and emerging opportunities for blade recycling via research, consultation, and participation in two collaborative industry bodies.

Achieve 50% sustainable steel use by 2030 and 100% net zero steel by 2050

We have continued to assess our current steel position and review supply chain capability and readiness to support the implementation of a sustainable steel policy.

* Subject to finding a commercially viable solution.

Group Strategic Report for the year ended 31 December 2024

SUSTAINABILITY *continued*



Our communities

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

33% increase in employee volunteering by 2030

In 2024, volunteering activities were built into formal development programmes throughout our trainee programmes. This along with an overall increased uptake in volunteering across all our employee groups, has seen us continue to make good progress towards the 2030 target.

Installation of 12,650 Public EV charging points by 2030

We have secured a panel of new partners to enable us progress with the delivery of EV chargepoints across the UK. We have secured agreements with a number of landowners to install EV chargers and are active in several local authority tenders taking place in the first half of 2025. These activities provide us with excellent opportunities to grow our portfolio.

Raising £40 million for Cancer Research UK

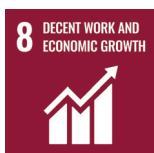
This target was achieved by the end of 2023. In 2024 we announced an extension of our long-standing partnership, which began in 2012, until 2029.

£25 million benefits to vulnerable and disadvantaged customers in fuel poverty and to support the transition to net zero in our distribution network by 2028

With commercial delivery contracts finalised in Q3 2024, we are progressing against plan with 2025 being a pivotal year for accelerated performance.

Deliver over £100 million in community benefit funding to communities over the lifetime of our onshore wind farms

In line with our planned projections, as of December 2024, we have cumulatively contributed over £67 million through our community benefit funds.



Work and skills

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

Access to mental health awareness training for all line managers by 2025

As of December 2024, over 65% of line managers have received awareness training. As planned, these courses will continue to be delivered throughout 2025, covering the remaining managers.

More than 90% of purchases from sustainable suppliers by 2030

In 2024 our purchasing model, which supports the development of the sustainability credentials of our suppliers, has again ensured we have exceeded the target.

More than 36% female representation at middle management roles by 2030

At the end of 2024 the proportion of women in middle management roles was 32.3% (2023 33.0%).

More than 35% female representation in senior management roles by 2030

At the end of 2024 the proportion of women in senior management position was 32.1% (2023 33.7%). We continue to focus on initiatives to improve this.

Employee training exceeding 55 hours per year

At the end of 2024 we attained an average of 63 training hours per employee, exceeding the 55 hours target and continuing to demonstrate our investment in our people.

Recruited over 1,000 people by the end of 2023

In 2022, we launched a recruitment drive for 1,000 green jobs. This target was achieved with 1,500 roles having been recruited by the end of 2023.

Group Strategic Report for the year ended 31 December 2024

SUSTAINABILITY *continued*

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

The following sections provide an overview of the progress we achieved in environmental and social impact during 2024, encompassing:

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

ENVIRONMENT

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

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

Climate

The Task Force on Climate-Related Financial Disclosures (“TCFD”) was established by the Financial Stability Board in 2015 to develop a set of consistent, climate-related financial risk disclosures to be used by companies and certain other public-interest entities to provide meaningful information to their investors and other stakeholders on the climate-related risks and opportunities facing their organisation. These recommendations have been adopted by the UK Government as the basis for implementing climate-related financial disclosures across the economy, via amendment of sections 414C, 414A and 414CB of the Companies Act 2006 – The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. These regulations are a mandatory disclosure requirement for SPL and we have included this information for the Group on a voluntary basis.

The four pillars of TCFD are: Governance; Risk management; Strategy; and Metrics and targets.

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

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

	REQUIREMENT	PAGE REFERENCE
Governance	Description of our governance arrangements in relation to assessing and managing climate-related risks and opportunities.	Refer to pages 35 to 37
Risk management	Description of how we identify, assess, and manage climate-related risks and opportunities.	Refer to pages 37 and 38
	Description of how the processes for identifying, assessing, and managing climate-related risks are integrated into our overall risk management process.	Refer to pages 37 and 38
Strategy	Description of the principal climate-related risks and opportunities arising in connection with our operations and the time periods by reference to which those risks and opportunities are assessed.	Refer to pages 39, 41 and 43
	Description of the actual and potential impacts of the principal climate-related risks and opportunities on our business model and strategy.	Refer to pages 39 to 44
	Analysis of the resilience of our business model and strategy, considering different climate-related scenarios.	Refer to pages 39 to 44
Metrics and targets	Description of the targets used by us to manage climate-related risks and to realise climate-related opportunities and of our performance against those targets.	Refer to page 45
	Description of the KPIs used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those KPIs are based.	Refer to pages 45 to 47

Governance

Climate change is integrated into many aspects of our corporate governance and is visible throughout ScottishPower. The corporate governance system applied by the Company is known as the ScottishPower Governance and Sustainability System ("SP GSS"), which is approved by the SPL Board.

The SP GSS is expressly structured around ESG standards to navigate the constantly evolving regulatory landscape and international standards, as well as directly referencing the UN SDGs. The SP GSS comprises five chapters: By-laws, Purpose, Environment and climate action, Social commitment, and Corporate governance (the latter three chapters corresponding to ESG considerations respectively).

Each of the boards of the Heads of Business companies, SPENH, SPREL and SPRH (as defined on page 1), approve their own governance and sustainability system ("Business GSS") which is modelled on the SP GSS for their division, Energy Networks, Renewable production, and the Customer business respectively. Refer to the 'Corporate governance system' section of the Directors' Report for further details on the SP GSS.

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

Policies for managing climate-related risks and opportunities

There are policies within the Purpose and Environment and climate action chapters adopted within the SP GSS that are used to assess and manage climate-related risks and opportunities. The General Sustainable Development Policy ("GSDP"), along with the Stakeholder Engagement Policy, constitute the general framework, guidelines, instructions and criteria against which all the other specialised (environmental, social, risk or corporate governance) policies are held. The GSDP underpins Iberdrola's, and therefore ScottishPower's, strategy regarding sustainable development around the ESG criteria and objectives, and how its business activities will be carried out to attain sustainable business value especially in relation to UN SDGs 7 and 13 regarding the supply of accessible and clean energy and the fight against climate change, respectively.

Our environment and climate action policies (Sustainable management, Environment, Climate action, and Biodiversity), are aligned with the goals and the path established by the Paris Agreement and the UN 2030 Agenda for Sustainable Development. These policies constitute ScottishPower's approach to environmental challenges such as climate change and biodiversity loss, while helping to identify and take advantage of the climate-related opportunities arising from the energy and ecological transition.

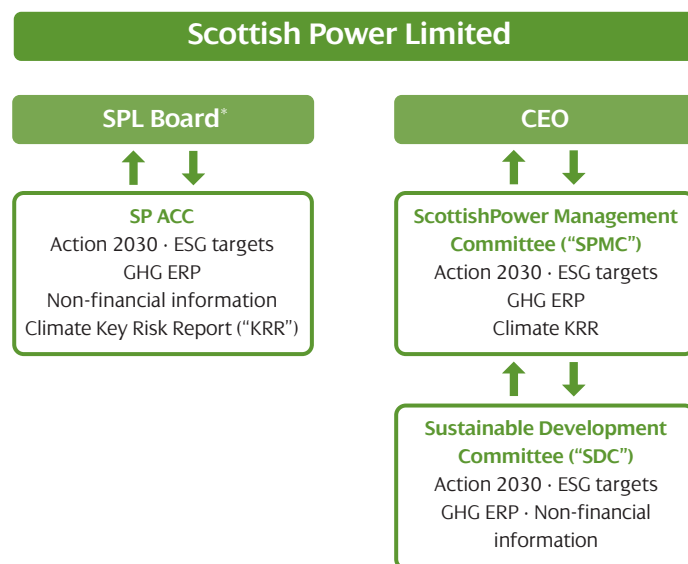
ScottishPower group structure, the SPUK Board, and the SPL Board and its committees

Overview of climate governance framework

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

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

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



*SPL Board including the ScottishPower Executive Committee (refer to page 58)

In 2023, the Iberdrola Non-Financial Information Internal Assurance Committee was established, mirroring the process for financial reporting, and demonstrating the importance we place on non-financial reporting. The committee is attended by relevant senior colleagues from ScottishPower.

ScottishPower Audit and Compliance Committee

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

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

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

ScottishPower Sustainable Development Committee

The SDC, co-chaired by the Head of Climate Change and Sustainability and the Head of ESG Reporting and Performance, is a non-executive, cross-business working group set up to promote compliance with sustainability policies and guidelines and coordinate ESG and sustainable development strategy and reporting throughout the Group, in accordance with its own terms of reference. It is also responsible for overseeing the development and implementation of Action 2030 which contains the Group's GHG emissions reduction strategy. SDC membership consists of representatives from across ScottishPower, including the Chief Compliance Officer, the Director of Internal Audit, the Director of the CEO's Office, as well as representatives from Energy Networks, Renewable production, and the Customer business.

Sustainable Development and Reporting

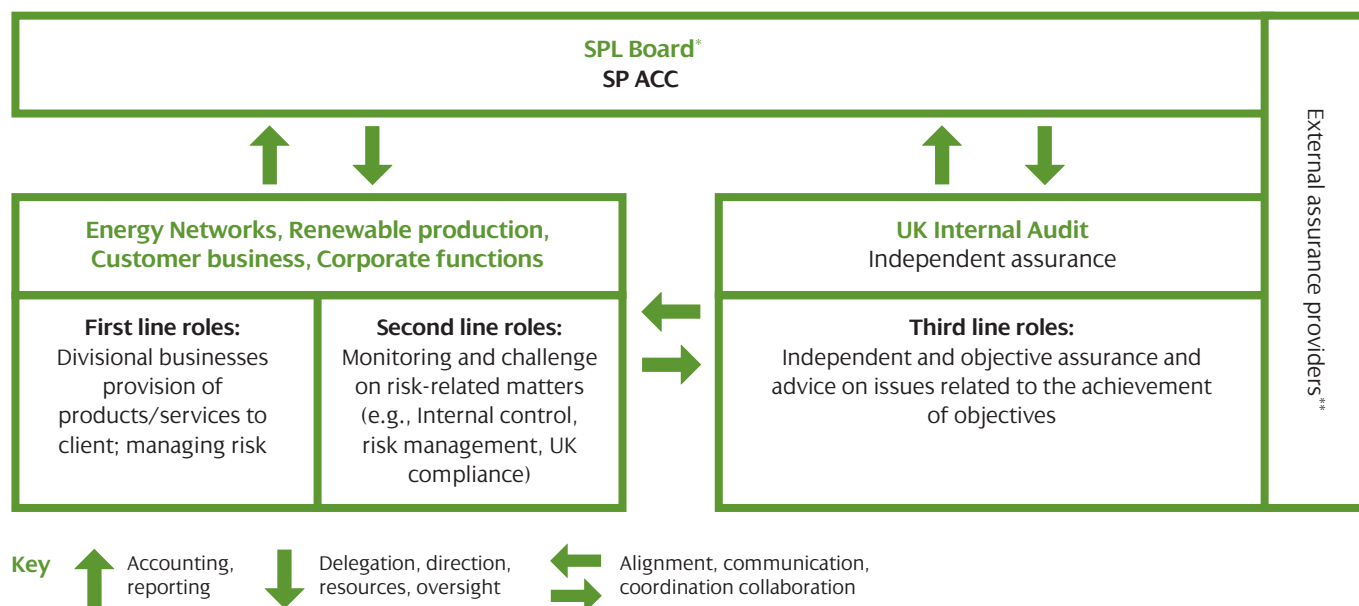
The ESG Reporting and Performance team have responsibility for navigating ESG regulations and disclosure requirements that impact the Group, either directly or indirectly through our parent company Iberdrola. This includes the coordination of ScottishPower's contribution to Iberdrola's European Sustainability Reporting Standards ("ESRS") implementation project required to meet the new EU Corporate Sustainability Reporting Directive ("CSRD"). We have provided non-financial information to Iberdrola for their first applicable accounting period of the ESRSs which commenced on 1 January 2024.

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

In 2024 we built on the executive-level climate training already delivered and, working in partnership with the University of Edinburgh Business School, launched Leading Climate Action. The bespoke programme was developed for our Senior Management Population focusing on providing them with background knowledge and tools to help drive sustainability into their business area processes through action planning.

Risk management

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



* SPL Board including the ScottishPower Executive Committee (refer to page 58).

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

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

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

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

As a Group principal risk, the identification, analysis and management of the risks and opportunities arising from climate change is integrated into our established and mature ERM framework. Risks are identified and addressed through a multi-departmental and multi-level process coordinated by our Risk Management department, involving significant collaboration between divisions and corporate functions.

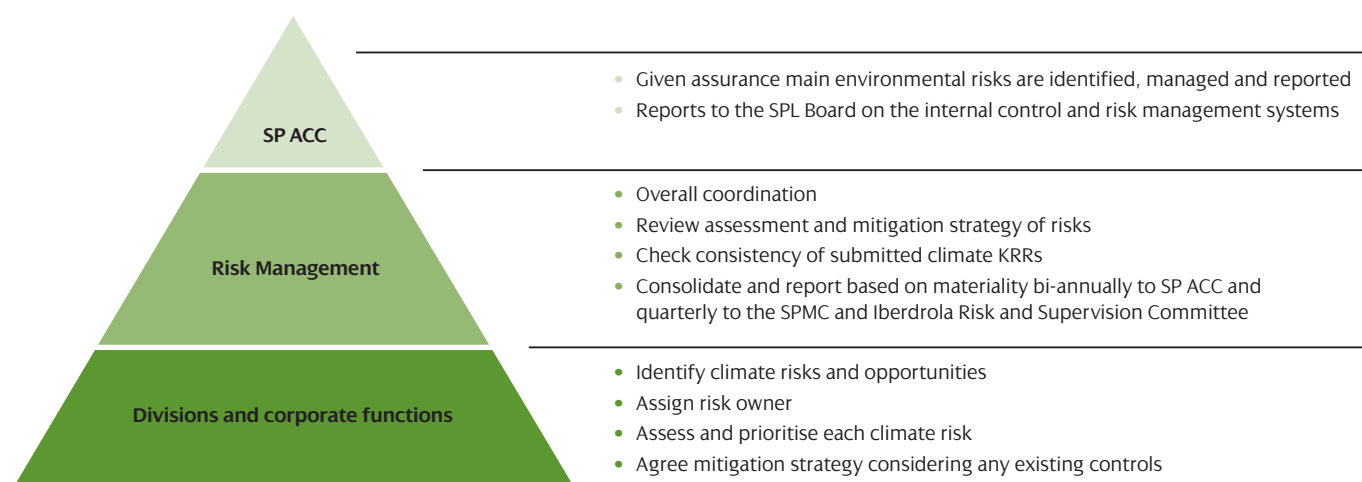
The KRR is a repository for our risks representing our ERM framework to assist in achievement of both our short and long-term goals. Effective application of the KRR facilitates the ongoing informed decision-making required to meet our business objectives. Risk reporting is well embedded within the business,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

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

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

The KRRs are then consolidated by Risk Management, who provide consistency checks, and report based on materiality twice a year at the SP ACC, and quarterly at Iberdrola Group Risk and Supervision Committee and SPMC.

Our KRR process is illustrated below:



Strategy

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

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

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

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

Climate related risks can be categorised into three broad groups:

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

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

- our current 2024-2026 strategic plan;
- our Action 2030 sustainable development targets;
- our 2030 near-term science-based target and Group 2039 net zero target; and
- the expected remaining useful lifespan of our current assets, which extends to around 50 years.

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

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

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

Transition risks, opportunities and scenario analysis

Our anticipation and management of transition risks and opportunities over the past decades has been central to cementing our position as a leader in renewable energy and the fight against climate change. The following section describes the principal climate transition risks identified as the most relevant to our strategy and activities under different climate scenarios, describes our current approach to mitigating these risks and outlines relevant opportunities. The resilience of our global group business model and strategy to minimize transition risks, and our ability to realise opportunities, is assessed on an annual basis. Refer to the 2024 Iberdrola Sustainability Report for greater detail on the assessment process and assumptions underpinning this analysis.

Transition risks and scenario analysis

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

- electricity transmission and distribution;
- renewable generation (wind and solar); and
- sale of electricity and gas.

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

- **Impact** indicates the magnitude of the potential effects perceived by the business, based on the state of the company, the assumptions and considerations within the climate scenarios, and the time horizons used. It integrates the criteria of magnitude, duration and probability of the event. ESRS Impact is assessed using three International Energy Agency climate scenarios compatible with our business activities:
 - **Stated policies ("STEPS")** This scenario is designed to provide an idea of the predominant direction of the progression of the energy system, based on an achievement of the current policy landscape, examining in detail government action to achieve its objectives and goals across the energy economy, from a more conservative perspective. The results in STEPS reflect a sector-by-sector review of policies and measures that are actually in place or have been announced; Aspirational energy or climate goals are not automatically assumed to be met. Currently, STEPS is associated with a temperature increase of 2.4 degrees Celsius ("°C") by 2100.

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

- **Announced pledges scenario (“APS”)** This scenario assumes that governments will meet, in full and on time, all climate-related commitments they have announced, including long-term net zero emissions targets and nationally determined contributions, as well as commitments in related areas such as energy access. Pledges made by companies and other stakeholders are also taken into account when contributing to the ambition set by governments. APS is associated with a temperature increase of 1.7 °C in 2100.
- **Net zero emissions (“NZE”)** This scenario represents a roadmap for the energy sector to limit global temperature rise to 1.5°C above pre-industrial levels by 2100. The NZE scenario maintains the focus of the recently published Net Zero Roadmap: A Global Pathway to Keep the 1.5°C Goal in Reach. In addition, the NZE scenario meets the energy-related SDGs, in particular universal access to reliable modern energy services by 2030 and significant improvements in air quality, significantly mitigating the effects of climate change in the long-term.
- **Vulnerability** indicates the degree of susceptibility or exposure of the activity facing the risk. It is not dependent upon climate scenarios or time frames, but on the current nature or condition of the activity.
- **Time horizons** to 2030, 2040 and 2050, corresponding to short, medium and long-term respectively, are used in the assessment impact. These horizons have been selected to align with ScottishPower’s Action 2030 strategy, Iberdrola’s Climate Action Plan, and the information provided by the climate scenarios.

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

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

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

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

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

Key:

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

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

Transition opportunities

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

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

Physical risks, opportunities and scenario analysis

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

- **Identification of relevant climate-related hazards** – a screening has been performed in line with Commission Delegated Regulation (EU) 2021/2139 to identify the climate-related hazards relevant to our locations, technologies and activities.
- **Assessment of climate-related hazard applicability to specific technologies** – an assessment has been undertaken to identify the hazards applicable to ScottishPower's technologies.
- **Identification of relevant physical risks** – an evaluation of the physical risks resulting from the combination of climate hazards and specific technologies, mainly related to either material damages or production losses.
- **Asset identification** – identification and geolocation of all assets by technology type in order to perform a risk assessment at asset level.
- **Climate exposure** – assessment of assets under relevant climate scenarios, resulting in the identification of exposure levels for each asset. This stage uses the following scenarios (definitions from the IPCC Summary for Policymakers):
 - **Representative Concentration Pathways ("RCPs")** 'RCPs are scenarios that include time series of emissions and concentrations of the full suite of GHGs and aerosols and chemically active gases, as well as land use/land cover.'
 - **Shared Socioeconomic Pathway ("SSP") 1-2.6 – Low emissions scenario (+1.8°C)**. 'SSP1 includes a peak and decline in population (around 7 billion in 2100), high income and reduced inequalities, effective land-use regulation, less resource intensive consumption, including food produced in low-GHG emission systems and lower food waste, free trade and environmentally friendly technologies and lifestyles. Relative to other pathways, SSP1 has low challenges to mitigation and low challenges to adaptation (i.e., high adaptive capacity).'
 - **SSP2-4.5 – (+2.7 °C)** 'SSP2 includes medium population growth (around 9 billion in 2100), medium income, technological progress, production and consumption patterns are a continuation of past trends, and only a gradual reduction in inequality occurs. Relative to other pathways, SSP2 has medium challenges to mitigation and medium challenges to adaptation (i.e., medium adaptive capacity).'
 - **SSP5-8.5 – (+4.4 °C)** 'SSP5 includes a peak and decline in population (around 7 billion in 2100), high income, reduced inequalities, and free trade. This pathway includes resource-intensive production, consumption and lifestyles. Relative to other pathways, SSP5 has high challenges to mitigation, but low challenges to adaptation (i.e., high adaptive capacity).'
- **Risk assessment** – consideration of sensitivity and adaptive capacity for each technology type and physical risk.
- **Time horizons 2021-2040, 2041-2060 and 2080-2100**, corresponding to short-medium, long and very long-term respectively, are used in the assessment of both sensitivity and exposure. These defined time horizons allow us to correctly observe the evolution of climate events, as if closer time periods were used, no substantial differences between the projections would be observed. These long-term horizons are typical of climate scenarios and physical risk assessment, so they do not necessarily coincide with the time horizons used by the Group for other purposes (for example, in terms of financial planning), nor with the horizons used by the transition scenarios. Current ScottishPower assets are expected to have a remaining useful life of between 10 and 50 years. This corresponds to the short/medium-term (2021-2040) and long-term (2041-2060) horizons. In the very long-term (2080-2100), the effects of climate change are greatest, but the Group's currently operating assets will have reached the end of their useful lives.
- **Materiality** – an appropriate asset materiality threshold has been determined.

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

The identification of relevant climate-related hazards has been undertaken at an Iberdrola level, identifying 14 threats as having the potential to affect Iberdrola technologies and activities.

Hazards ruled out by this analysis include:

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

The table below outlines the results derived from this process:

		Potential residual risks by technology, location, scenario and timeframe																													
Potential hazards			England	Scotland		England	Ireland	N.Ireland	Scotland	Wales		England	Scotland	Wales		England	Ireland	Scotland		England	Scotland	Wales		England	Scotland	Wales					
Heat stress	Productive capacity of workers	Offshore wind farms			Onshore wind farms						Solar				Battery storage				Transmission and distribution ground mounted substations				Transmission and distribution overhead lines, pole mounted transformers, underground cables								
Temperature variability	Efficiency reduction in energy generation, transmission and distribution																														
Heat wave	Efficiency reduction in generation, transmission and distribution																														
	Damage to assets and infrastructure																														
Cold wave	Damage to assets and infrastructure																														
Wildfires	Damage to assets and infrastructure																														
Cyclone, hurricane and typhoon	Damage to assets and infrastructure																														
Storm	Efficiency reduction in energy generation operations																														
	Damage to assets and infrastructure																														
Sea level rise	Damage to assets and infrastructure																														
Water stress, drought	Efficiency reduction in energy generation operations																														
Heavy precipitation	Efficiency reduction in energy generation operations																														
	Damage to assets and infrastructure																														
Floods	Damage to assets and infrastructure																														
Landslides	Damage to assets and infrastructure																														

Key:

Hazard not relevant for this technology	No risk detected across all scenarios and time horizons	Non-material risk detected*	Material risks detected*
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* Where risks are detected, the relevant table cells are divided to show how risk materialises across the scenarios and time horizons below.

2021-2040	2041-2060	2081-2100
SSP 1-2.6	SSP 1-2.6	SSP 1-2.6
SSP 2-4.5	SSP 2-4.5	SSP 2-4.5
SSP 5-8.5	SSP 5-8.5	SSP 5-8.5

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

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

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

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

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

Physical opportunities

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

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

Risk mitigation, adaptation and resilience

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

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

During 2024, Customer business undertook an assessment of its exposure to climate hazards and developed a climate adaptation action plan aligned with the current UK Adaptation Reporting Power Fourth Round Guidance. This comprehensive risk assessment has considered various climate hazards and their potential impacts on the Group, its customer base and its core activities. Customer business will work to respond to the report's recommendations. Renewable production intends to carry out a similar assessment during 2025 in relation to its onshore and offshore wind farms.

Resilience and adaptation to transition risks

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

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

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

Resilience and adaptation to physical risks

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

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

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

Sea level rise

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

Flooding

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

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

Metrics and targets

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

TARGET	METRIC	FURTHER INFORMATION
Treble onshore renewables capacity by 2030 (includes wind and solar, 2022 baseline)	GW onshore renewables	'Renewable production – operating review' and 'Outlook for 2025 and beyond' section of the Strategic Report on pages 20 and 22 respectively.
Treble offshore renewables capacity by 2030 (2022 baseline)	GW offshore renewables	
Deliver RIIO-T2 and RIIO-ED2 commitments on network reliability, availability and network resilience by 2026 (transmission) and 2028 (distribution) respectively	% Reliability Customer interruptions Customer minutes lost	'Energy Networks 2024 performance' section of the Strategic Report on pages 18 and 19.
Deliver our GBIS obligations by 2026	Properties treated	'Energy customers – Customer business' section of the Strategic Report on pages 10 and 11.
By value, at least 90% of purchases awarded to sustainable suppliers by 2030	% of total purchase value	'Suppliers and contractors' section of the Strategic Report on page 13.
Reduce absolute Scope 1, 2 and 3 emissions from fuel and energy related activities and use of sold products 64% by 2030	GHG inventory, tonnes of carbon dioxide equivalent ("tCO ₂ e")	'Greenhouse gases' section of the Strategic Report on pages 46 and 47.
Reduce absolute Scope 1 and 2 GHG emissions 47% by 2030 from a 2019 base year	GHG inventory, tCO ₂ e	'Greenhouse gases' section of the Strategic Report on pages 46 and 47.
Reduce absolute Scope 3 GHG emissions from use of sold products by 28% by 2030	GHG inventory, tCO ₂ e	'Operating review – Customer business' section of the Strategic Report on page 23.
Reduce Scope 3 (cat 3) emissions from all sold electricity 100% per MWh by 2030 from a 2019 base year	GHG inventory, tCO ₂ e	'Greenhouse gases' section of the Strategic Report on pages 46 and 47.
Provide 4.8 million smart solutions by 2030	Number of smart solutions	'Operating review – Customer business' and 'Innovation' sections of the Strategic Report on 23, 14 and 15 respectively.
100% sustainable light vehicle fleet by 2030	% deployment	'Greenhouse gases' section of the Strategic Report on pages 46 and 47.
Deliver 500 MW green hydrogen capacity by 2030	MW of green hydrogen capacity	'Customer business – operating review' section of the Strategic Report on page 23.

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

Greenhouse gases

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

In 2022, ScottishPower set a science-based target, complementing the targets set by Iberdrola. The target commits ScottishPower to reduce absolute Scope 1, 2, and 3 GHG emissions from fuel and energy-related activities and use of sold products by 64% by 2030 from a 2019 base year. This includes a Scope 1 and 2 absolute reduction target of 47% by 2030 from a 2019 base year (which is consistent with reductions required to keep global-warming to 1.5°C) a Scope 3 absolute reduction in category 3 emissions from all sold electricity of 100% from a 2019 base year and a Scope 3 absolute reduction in GHG emissions from use of sold products of 28% over the same timeframe.

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

Inventory

Overall, we have seen a 5% increase in GHG emissions in 2024 compared to 2023 but a 16% reduction since our 2019 baseline year. The table and the accompanying footnotes overleaf present the value chain GHG emissions of the ScottishPower Limited Group for 2024.

			2024		2023 (Note (a))		2019
			kWh	tCO ₂ e (Note (b))	kWh	tCO ₂ e (Note (b))	tCO ₂ e (Notes (b),(c))
	Notes						
Scope 1	Combustion of natural gas*	(d),(e)	18,371,421	3,360	9,800,667	1,793	5,406
	Combustion of fuel for transport*	(d),(e)	31,737,149	7,578	31,171,188	7,472	8,011
	Combustion of fuel for generators*	(d),(e)	15,993,572	894	14,421,291	2,593	220
	Fugitive emissions SF ₆ , methane ("CH ₄ "), refrigerants	(d),(e)	–	19,261	–	21,209	21,264
Total Scope 1			66,102,142	31,093	55,393,146	33,067	34,901
Scope 2	Purchased electricity for own use – location-based*	(d),(e),(f),(g),(j)	88,648,349	18,355	84,442,869	17,486	19,624
	Purchased electricity for own use – market-based	(d),(e),(f),(g),(j)	88,648,349	6,941	84,442,869	10,913	20,534
	Network losses – gross	(d),(e),(h)	3,149,574,150	652,119	3,042,475,181	630,018	824,300
	Network losses – net	(d),(e),(h),(i)	2,419,880,744	501,036	2,331,818,393	482,860	n/a
Total Scope 2 location-based			3,238,222,499	670,474	3,126,918,050	647,504	843,924
Total Scope 2 market-based			3,238,222,499	659,060	3,126,918,050	640,931	844,834
Scope 3	Business travel – vehicles (employee-owned and leased)*	(e),(k)	8,583,277	2,039	8,200,626	2,004	5,847
	Business travel – other (rail and flights)	(e),(k)	–	1,730	–	1,575	–
	Crew transfer vessels	(e),(k)	28,774,232	7,423	24,202,073	5,787	–
	Employee commuting	(e),(k),(l)	10,874,857	3,133	10,949,301	3,068	2,743
	Emissions associated with the supply chain	(e),(k),(m)	–	707,636	–	468,828	983,352
	Fuel and energy-related activities (including product related upstream emissions)	(e),(k),(n)	–	708,327	–	698,515	815,308
	Waste	(o)	–	–	–	1,937	6,599
	Investments	(o)	–	–	–	29,313	–
	Sale of electricity to end users	(e),(k)	11,631,530,000	5,110,451	14,726,682,000	4,890,590	5,181,525
	Sale of gas to end users	(e),(k)	18,547,690,000	3,392,373	18,345,262,000	3,355,879	4,749,765
Total Scope 3			30,227,452,366	9,933,112	33,115,296,000	9,457,496	11,745,139
Total location-based			33,531,777,007	10,634,679	36,297,607,196	10,138,067	12,623,964
Total market-based			33,531,777,007	10,623,265	36,297,607,196	10,131,494	12,624,874

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

- (a) 2023 figures have been reviewed in response to settlements and improvement in data collection. No changes have been included in the above tables as we restate only where updates result in a change of 5% or more to overall footprint.
- (b) Tonnes of CO₂ equivalent ("tCO₂e") is a metric used to compare the emissions from various GHGs on the basis of their global-warming potential ("GWP") in comparison to the GWP of CO₂. The main GHG are CO₂, CH₄, nitrous oxide and fluorinated gases.
- (c) Baseline value chain footprint related to our Science Based Targets.
- (d) We use the GHG Protocol Corporate Reporting Standard and account for Scope 1 and 2 emissions from operations over which we have control, or the relevant proportion for jointly controlled arrangements.
- (e) Data was calculated using relevant DESNZ conversion factors, with the exception of fugitive emissions, which were calculated using IPCC Assessment Report 6 emissions factors.
- (f) Electricity consumption related to ScottishPower-owned EVs is accounted for in 'Purchased electricity'.
- (g) Electricity for own use is predominantly based on actual meter readings, with estimates where actual data is not available.
- (h) All data reported is based on January to December except for losses data, which is based on figures provided on a regulatory year basis (1 April to 31 March).
- (i) Scope 2 losses emissions net of our own green generation are presented for information.
- (j) Scope 2 emissions are presented as both location-based (based on the GB-wide DESNZ conversion factors) and market-based (taking account of the impact of moving our own electricity use to a green tariff).
- (k) We use the GHG Protocol Corporate Value Chain (Scope 3) Standard for calculating Scope 3 emissions.
- (l) Our process for estimating commuting emissions has been updated to include staff survey data.
- (m) 2019 calculation of supply chain emissions used spend multiplied by relevant environmentally extended input-output factors. 2023 and 2024 supply chain emissions were calculated from an average of the actual emissions of our suppliers.
- (n) This category includes upstream emissions (product, fleet, own gas and other fuels), well-to-tank emissions and transmission and distribution related emissions.
- (o) In 2024 we have opted to exclude Waste and Investments while we develop our methodology. These figures are de minimis.

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

Scope 1 covers direct emissions from owned or controlled sources. In 2024, Scope 1 emissions represented less than 1% of total emissions reported. Overall, Scope 1 emissions decreased by 6% between 2023 and 2024, largely driven by a decrease in generator fuel emissions. Scope 1 emissions in 2024 were 11% lower than in our 2019 baseline year.

Scope 2 covers indirect emissions from generation of purchased electricity. In 2024, Scope 2 emissions represented 6% of total emissions reported. Scope 2 emissions have increased by 3% between 2023 and 2024, primarily driven by an increase in energy distributed and therefore network losses. However, since 2019, Scope 2 emissions have reduced by 22%, meaning that we are currently on track to achieve our combined Scope 1 and 2 science-based target.

Scope 3 represents all other indirect emissions that occur in our supply chain. In 2024, Scope 3 emissions represented 93% of total emissions reported. Scope 3 emissions have increased by 5% between 2023 and 2024, primarily driven by an increase in estimated supply chain emissions due to increased expenditure. However, Scope 3 emissions have reduced by 15% overall since 2019. Emissions from gas supplied have seen a 29% reduction since our 2019 baseline year, currently surpassing our target of 28% reduction by 2030.

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

		2024	2023
	Notes	tCO ₂ e/kWh	tCO ₂ e/kWh
Carbon intensity of electricity generated (based on SECR-only data)*	(a), (b)	0.000004	0.000004
Carbon intensity of energy supplied (based on total Scopes 1 to 3: location-based)	(a)	0.00035	0.00031

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

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

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

SECR

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

Throughout 2024, we have carried out a range of energy efficiency initiative measures, including:

- completing our programme of over 50 energy efficiency assessments in line with our obligations under Phase 3 of the Energy Savings Opportunities Scheme ("ESOS").
- identifying a number of energy improvement opportunities from the ESOS Phase 3 assessments. These will form the building blocks of our action plan which was submitted to the Environment Agency in Quarter 1 of 2025.
- completing the installation of temperature and humidity monitoring sensors to a total of 49 primary substations on our distribution network to date. Over time, monitoring temperatures and intervening, when necessary, will significantly reduce building heating consumption.
- progressing with our transmission substation building refurbishment programme which aims to reduce energy consumption by up to 1,000 MWh per annum at 48 of our transmission substations (representing around one third of our sites).
- continuing to deliver a programme to install 150 EV chargers by 2027 across the Group's offices and sites, having already achieved over 100 installed EV chargers to date.
- planning, designing, and specifying proposals for delivery of new-build depot facilities with sustainable innovation technology, at the core, within the RII0-ED2 funding period.
- sending out over 9.5 million pieces of communication to domestic customers promoting home energy efficiency.
- sending out over 870 thousand communications to our customers showing them how they could reduce their energy bills by up to 89% as part of an energy efficiency campaign.

Nature

ScottishPower outlined its vision to deliver a net positive impact on biodiversity and ecosystems in its sustainable development strategy, Action 2030. The targets to deliver this are:

- deliver a net positive impact on biodiversity by 2030; and
- conserve, restore and plant five million trees by 2030 against a 2020 baseline.

In the reporting year, we had facilities and networks covering over 10,300 hectares ("ha") in Protected Areas and Areas of High Biodiversity Value with over 1,100 key species identified within our areas of operation.

During 2024, 70 programmes to monitor, protect and enhance biodiversity were started or ongoing and 19 were completed, including:

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

As of 2024, we had conserved, restored and planted over one million trees since our 2020 baseline.

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

In 2024, the Group participated in the Iberdrola-led pilot of species and ecosystem accounting metrics, aimed at tracking biodiversity enhancement in line with our net positivity target. The Nature Working Group provided an internal forum for developing and driving the implementation of activities to meet our nature related targets. We also developed a draft ScottishPower Nature Plan for publication in 2025.

The Group held a month-long Sustainability Festival which provided the opportunity to improve awareness of issues surrounding the nature crisis and delivering biodiversity enhancement alongside infrastructure through a variety of events. These included presentations from NatureScot, RSPB, WWF, the Supply Chain Sustainability School and internal experts in the field, and biodiversity 'Lunch and Learn' walks to showcase and discuss examples of nature in urban spaces.

Energy Networks published their Action Plan for Nature, outlining their commitment to being nature positive for direct impacts by 2030 and the actions they will take to achieve this.

A partnership with Cheshire Wildlife Trust was established to identify opportunities to deliver biodiversity enhancement alongside infrastructure. In 2024, this partnership delivered a 0.6 hectare ("ha") extension of wildflower meadow creating additional habitat for pollinators, and 19 ha of wetland enhancement for the benefit of water bird species. These projects contribute to Energy Networks' RII0-ED2 commitment to enhance 25 ha of non-operational and network land for biodiversity by 10%.

In collaboration with its partner, Supply Chain Sustainability School, Energy Networks developed and delivered biodiversity awareness training to a cohort of its key people. Energy Networks also worked with NatureScot through the Scottish Linear Infrastructure Group, and established a cross-business working group for nature.

Renewable production onshore completed a programme of 120 ha of peatland restoration in 2024. This included the continuation of a large-scale peatland restoration project at Halsary Windfarm in Caithness, where 360 ha will be restored in total, and the completion of a 15-year peatland restoration programme at Whitelee Windfarm. Renewable production onshore continued to participate in the Sanger Institute's cutting-edge, multi-year BIOSCAN project which involves the monthly capture of insects for DNA analysis with the aim of identifying the species present, and over time monitoring how species diversity and abundance is changing at Whitelee Windfarm. Renewable production onshore also commenced their ambitious programme to strategically manage non-native regenerating trees in 2024, which works to remove non-native conifer trees from restored areas of peatland habitats. This is a long-term programme which demonstrates commitment to the ongoing monitoring and maintenance of these restored habitats.

In 2024 Renewable production offshore participated in the Scottish Offshore Wind Energy Councils collaborative research project, Collaboration for Environment Mitigation & Nature Inclusive Design. The recently published report from this project provides practical outputs to enhance biodiversity in Scottish offshore wind projects. Renewable production offshore won the Sustainable Development Award category in the Scottish Green Energy Awards 2024 for their part in this work.

Renewable production offshore became a funding partner of the ECOWind lead project Physics-to-Ecosystem Level Assessment of Impacts of Offshore Windfarms. The project will explore the impacts of offshore wind development with an aim to deliver a number of outputs to support the development of evidence-based policy, inform marine management and the delivery of net gain.

Renewable production offshore carried out an array of survey work including the completion of three years of post-construction bird monitoring and report publication for EA1, completion of digital area surveys for red-throated diver for EA1N and EA2, and commencement of digital area surveys for CampionWind. Compensation work carried out as part of the East Anglia Hub wind farms included the construction of a fourth kittiwake 'hotel' in Lowestoft. This new artificial nesting structure will help provide a valuable nesting habitat for kittiwakes associated with the Flamborough and Filey Coast Special Protection Area.

Circularity

The Group laid out a range of targets and actions for circularity within its Action 2030 strategy. These include:

- develop a detailed circular economy action plan by 2025;
- 100% wind turbine blade recycling by 2030, subject to the existence of a commercially feasible solution;
- zero waste to landfill by 2030; and
- achieve 50% sustainable steel use by 2030 and 100% net zero steel by 2050.

In 2024, the amount of waste generated increased by 151%, due to both significantly increased programmes of work and more complete reporting after the implementation of a new reporting system. We achieved 97% diversion from landfill, surpassing our target of 92%.

Building on the opportunities assessment and baselining carried out in 2023, we have commenced the development of our detailed Circular Economy Action Plan in 2024 and this will be completed in 2025. The Action Plan, developed in collaboration with internal and external stakeholders, will drive the further evolution of our strategy, governance, targets, metrics, data and reporting and will lay out our time-bound action plan for delivery.

As Energy Networks continues to develop and operate its transmission and distribution networks, there are assets which have the potential to be reused through repair and refurbishment. Energy Networks' Transformer Workshop in the Manweb licence area refurbishes and reconditions obsolete secondary substation transformers to extend their life and reduce waste, aligning with circular economy principles. Transformers removed from the network are assessed for refurbishment suitability based on age, condition and compliance. Suitable units undergo rigorous performance and electrical testing, after which necessary repairs are made, including replacing bushings and creating new gaskets from recycled materials. Transformer oil is also regenerated, minimising the need for new resources. Refurbished transformers are redeployed, with post-refurbishment tests confirming service readiness. Since 2019, this process has saved 3,326 tCO₂e in emissions, with 647 tCO₂e saved in regulatory year 2023/24 alone (equivalent to 216 one-way flights from London to Australia) and has potential for wider application across the Group.

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

In 2024, a cross-disciplinary team from Renewable production offshore participated in the 'UN Global Compact UK SDG Innovation Accelerator for Young Professionals', which is an initiative aimed at driving business innovation to achieve the UN SDGs. During the course, teams of innovators tackle company-specific challenges to enhance sustainability efforts and Renewable production's offshore team explored circularity within EA1. The team identified that at EA1, the batteries providing uninterrupted power supply to wind turbines are replaced approximately every three years, leading to around 26 tonnes of batteries being disposed of in each cycle. The team then proposed a solution, which is to develop and implement a test for retired batteries, to check and verify functionality, enabling the batteries that pass the test to be redirected for reuse rather than disposal. The project was commended by the UN Global Compact and the team was one of five selected to showcase their solution at the annual summit in London. Renewable production offshore is now progressing the project through further internal assessments, supplier discussions, and exploring appointing external support to develop testing protocols and enhance understanding of the battery performance at the point of removal from the assets.

Renewable production further developed their understanding of existing and emerging opportunities for blade recycling via research, consultation and participation in two collaborative industry bodies (Coalition for Wind Industry Circularity and SusWIND (Accelerating sustainable composite materials and technologies for Wind Turbine Blades). Renewable production has also chaired the G12/SS Onshore Wind Sector Working Group which is a key part of the development of the Scottish Onshore Wind Sector Deal, and now actively participate on related task and finish groups focussed on environment and consents, community benefit and local content. The deal includes a commitment for collaborative sector action to deliver a blade treatment facility in Scotland by 2030.

Operational since 1995, Renewable production's Hagshaw Hill wind farm in South Lanarkshire was at the forefront of wind energy production in Scotland, generating more than 895 MWh over its 28-year lifespan. In 2023, work commenced to repower the 16 MW site, becoming home to 14 new wind turbines with a combined capacity of over 79 MW. Construction of the repowering has been ongoing during 2024. Once complete, the wind farm will be capable of producing around five times the amount of clean, green energy than it did before, from just over half the number of turbines. The Hagshaw Hill repowering project is part of Renewable production's wider ambition to maximise the efficiency of its existing sites by replacing older turbines with new, more powerful and efficient models. Decommissioning of the turbines has involved careful planning to identify reuse and recycling routes for components. Commercially available market solutions for blade reuse or recycling are currently in their infancy in the UK, due to the composite structure of blades and the limited availability of decommissioned blades as feedstock to date. Renewable production and its decommissioning contractors are exploring a number of reuse, recycling and research routes to ensure that materials from decommissioned blades maintain as high value as possible in their next life and to stimulate the blade circularity market.

SOCIAL IMPACT

We highly value our relationship with local communities and see them as essential stakeholders in our operations. Engaging with these communities is not only a priority but a core element of our commitment to collaboration and our fundamental values.

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

In 2024 we produced our first ever Social Impact Report, delivering for communities and our people, providing a summary of the Group's social impact action.

Aligned to the UN SDGs the report highlights our key focus areas and outlines examples of how we striving to be an active partner in developing resilient, self-sufficient communities, whilst developing a representative and high performing workforce that meets the current and future needs of the industry.

Investing in the community

Supporting the communities we serve by providing our resources and the expertise of our people has been a longstanding commitment over the years. We regularly contribute to community-based organisations and proactively engage in activities that address a wide range of issues within these communities that go beyond our core business activity.

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

Through this framework, we voluntarily contributed £13 million in 2024 (£12 million in 2023) to support community activities. This contribution encompasses cash, time, in-kind support, and the management costs associated with running community programmes.

Additionally, we provided £55 million through sponsorships and initiatives aimed at supporting our most vulnerable customers.

As part of our onshore wind farm operations, we actively support 36 community benefit funds, empowering communities across the UK to decide how best to use these funds to meet their local needs. In 2024, Renewable production onshore contributed £8 million (£8 million in 2023) to communities neighbouring our wind farms, bringing the total provided to date to almost £68 million.

Community engagement and consultation

Community engagement is integral to our culture at ScottishPower. We actively encourage volunteering, offering everyone the opportunity to take one day's paid leave each year to volunteer. In 2024, 1,408 of our people participated in volunteering activities organised by ScottishPower, collectively contributing over 15,900 working hours (2023 13,300).

Group Strategic Report for the year ended 31 December 2024

ENVIRONMENT *continued*

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

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

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

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

ScottishPower Foundation

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

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

Decisions to award funding are made by an experienced Board of Trustees who have a special interest in the above areas. The Foundation selected the successful recipient of the second grant to be awarded from its Marine Biodiversity Fund, with the new project commencing in December 2024. The Big Rock Pool Challenge, delivered by Marine Biological Association and The Rock Pool Project will receive up to £600,000 over the next three years. The project focuses on UK coastal wildlife conservation and the management of non-native species. Through community engagement and an innovative 'bioblitz battle activity' approach, the project will enhance marine species monitoring at locations across the country.

In 2024, the Foundation awarded funding of over £1 million to 20 registered charities to support their work in the UK. Near Edinburgh, Archaeology Scotland supported young people to develop STEM skills by examining the past to inform the future of energy generation, while Techniquist inspired young people to care about the ocean in Cardiff through an interactive exhibition and science show. Hope Kitchen launched an innovative new community shop in Oban with its focus on preventing food and textile waste, and Lancashire Women has been upgrading Lancashire homes one at a time while providing training to create a local handy women service to break stereotypes. Four Corners and Glencoe Folk Museum explore local history and culture by engaging people to tell their own stories, while the Rachel Kay Shuttleworth Textile Collections has its own stories to tell through its nationally significant collection of textiles.

The annual ScottishPower Foundation awards were presented at a ceremony on 11 November 2024 and during this it was announced that £60,000 of additional funding would be made available to projects through four award categories including the Charity Champion Award, which gives special recognition to individuals working in the charitable sector for personal dedication.

Following a competitive application process for funding, 20 applicants were shortlisted by the Board of Trustees in November 2024 and are intended to be awarded funding for projects to be delivered in 2025 subject to budget and contract.

Energy Networks

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

As a DNO and TNO our priority is to always keep electricity flowing to our customers across our network, whilst supporting regional and national decarbonisation ambitions. This is becoming increasingly important as the world moves away from fossil fuels and adopts electric-powered alternatives. To ensure our network is able to facilitate the growing number of low-carbon technologies, like EVs and heat pumps which connect to the grid, we have taken significant steps to support this in RII0-ED2. At the local level, we have prioritised the proactive and reactive upgrading of looped properties. This allows these customers to quickly, safely and reliably connect low-carbon technologies when they are ready to do so.

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

Group Strategic Report for the year ended 31 December 2024

SOCIAL IMPACT *continued*

Delivering and being a trusted partner for customers, communities and stakeholders is a central pillar of our RIIO-ED2 business plan and we continue to provide a strong service to our customers. We externally benchmark our customer service and are proud to have scored in the top five UK companies through the Institute of Customer Service benchmark 2023/24. A key element of our service is supporting vulnerable customers and communities. We have successfully completed an initial trial of our partnership model with nine organisations in the Glasgow area, with the ambition of providing holistic support for all customers who need extra help.

We have also made good progress in achieving our own decarbonisation targets. Alongside our work supporting other bodies in achieving their targets, it is important that we strive to meet our own commitment to become a fully sustainable networks business. In 2024, we have reduced GHG emissions (excluding losses) by over a third from our baseline target and achieved the Planet Mark Business Certification of our BCF for the eighth year in a row. We have delivered a strong first year of the RIIO-ED2 price control and will continue to build on this during 2025, and the remainder of the price control period, all while delivering exceptional value for money with 99.99% reliability and excellent customer service for an average of 40p per day.

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

Renewable production

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

Local engagement

Throughout 2024 we have delivered a variety of activities across the business to engage with communities local to both our onshore and offshore developments.

The MachairWind team from Renewable production offshore have participated in a number of local careers fayres and school lessons on renewables themes, hosted public drop-in events to provide project updates and answer residents' questions, as well as having sponsored and attended The Agricultural Show in Islay, with almost 1,000 people the locality engaged across all of these activities. Similarly, our MarramWind team have also participated in engagement with local school children both at careers events and hosting pupils at a STEM education events, as well as presenting at a supply chain event hosted by Aberdeenshire Council and are currently finalising a partnership contract with Aberdeen Science Centre ("ASC") to enable pupils from three schools in the Peterhead/Longside area to visit ASC and take part in the "Gust to Grid" workshop.

On EA3 we have held several public engagement events at village halls near the 37km onshore cable corridor, giving residents an opportunity to meet the project delivery teams, ask questions and learn about the project and any construction activity in their area. We also sponsored a children's cycling group near our onshore convertor station, through the provision of a grant towards cycling helmets. We continue to sponsor and attend the annual Suffolk Show – an agricultural show that draws thousands of visitors from across the country and beyond, and one which enables us to support this important part of Suffolk's economy and culture whilst meeting with a broader audience to talk about our projects and discuss renewables more generally.

We have also delivered community engagement events for EA1N and EA2 – including meeting with the local community during a Public Information Day to discuss current archaeology mitigation works and introduce our contractors, as well as meeting with specific parish council groups to keep them informed on works happening in the immediate vicinity of their parishes.

Renewable production continues to provide community benefit funds to those living near to our operational onshore wind farms and to date, we have now shared over £67 million of funding with those communities. We believe local people are best placed to make decisions about the initiatives that will be of greatest value to them, and therefore continue to empower them to make decisions on how to allocate their funds. These can be used for the purposes of community facilities, skills and employment, community or local events, sports and recreation, environmental improvements, youth and education and heritage, as well as on initiatives that will help them reduce their overall carbon footprint and become net zero as a community.

Renewable production onshore also continues to invest over £1 million a year to adaptively manage and monitor around 10,000 ha of land for nature conservation. In 2024 we completed 15 years of peatland restoration work at our Whitelee Windfarm – restoring over 1,000 hectares of peatland and developing two ground-breaking methods that are now setting industry standards. We continue to maintain a robust Environmental Management System (ISO 14001 accredited) to support the business in managing environmental risks throughout the project lifecycle.

Whitelee Visitor Centre

As the UK's largest onshore wind farm hosting 215 turbines with a total capacity of 539 MW, our Whitelee Windfarm is able to generate enough electricity to power the equivalent of 350,000 homes. The on-site visitor centre celebrated its 15th anniversary in September 2024 as well as having welcomed over 1 million visitors to date. Managed by Glasgow Science Centre on behalf of Renewable production, Whitelee Windfarm Visitor Centre offers a free hands-on exhibition, café, cycling facilities, car parking and EV charging points, and continues to provide an extensive education programme and an opportunity for visitors to see first-hand how local communities, the natural environment and renewable energy can be successfully co-located. Whitelee Windfarm received the Green Flag Award for a fourth consecutive year in 2024 and is the only wind farm to receive this accolade, which recognises spaces that meet the needs of the communities they serve. This award was received for the work of the onshore renewable ecology team and the Whitelee Countryside Rangers (employed by East Renfrewshire Council and who continue to be paid for via the wind farm community benefit fund), to provide a positive environmental legacy by enhancing ecological habitats for native bird species and restoring natural peatland.

Renewable production continues to host a variety of community events at Whitelee Windfarm, as well as welcoming both UK and international delegates including UK and Scottish Government bodies and other key stakeholders.

Customer business

The Customer Business continues its commitment to supporting those most in need within our communities through a number of government schemes and additional Scottish Power initiatives.

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

Group Strategic Report for the year ended 31 December 2024

SOCIAL IMPACT *continued*

In addition to supporting our customers, we also support the charity sector, particularly our longstanding relationship with Cancer Research UK. We have raised over £40 million to date through a combination of sponsorship of events like Stand Up to Cancer, sales of our 'Help Beat Cancer' tariffs, and fundraising activities.

We engage regularly with the key industry stakeholders such as Ofgem, Citizens Advice and Ombudsman Services, to keep them fully updated of our community actions.

We are one of the remaining suppliers that have National Community Liaison Officers ("CLOs"). Our CLOs focus on supporting customers who have concerns over their energy consumption or billing to ensure clear understanding. They also provide support for those struggling with their energy bills. This is done in the customer's home. Our CLOs also provide locational support to our business customers.

Our Hydrogen department is working with businesses across the UK to help support their strategic aims to decarbonise their operations.

SECTION 172 STATEMENT

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

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

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

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

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

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

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

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

- **Customers:** details of how the Group engages with its customers are explained in the 'Energy customers' section of the Strategic Report, on pages 9 to 11. Whilst the Company does not have direct customers of its own, during 2024, the SPUK Board received and considered the service KPIs reported in the 'Energy customers' section of the prior year's Strategic Report approved and delivered by the SPUK Board.
- **People:** details of how the Group engages with its people are set out in the 'People' section of the Strategic Report, on pages 5 to 9. During 2024, the SPUK Board considered and approved the adoption by the Company of the 2023 ScottishPower Modern Slavery Statement.
- **Communities and the environment:** details of how the Group engages with communities and considers the environment are set out in the 'Environment' and 'Social Impact' sections of the 'Sustainability' section of the Strategic Report, on pages 34 to 52 respectively. During 2024, the SPUK Board approved the provision of the disclosures in accordance with the TCFD requirements and recommendations as reported in the 'Sustainability' section of the prior year's Strategic Report approved and delivered by the SPUK Board.
- **Suppliers and contractors:** details of how the Group engages with its suppliers are set out in the 'Suppliers and contractors' section of the Strategic Report, on page 13. During 2024, the SPUK Board considered and approved the key contract awards made by the Company.
- **Government and regulators:** details of how the Group engages with governments and regulators are set out in the 'Government and regulators' sub-section of the Strategic Report, on page 12. During 2024, the SPUK Board considered ScottishPower, and the Company's engagement with the UK Government and Ofgem in connection with the economic and regulatory implications of the retail and wholesale markets as reported in the 'Government and regulators' section of the prior year's Strategic Report approved and delivered by the SPUK Board.

In addition, details of how the Company interacts with its shareholders is described in the introduction to the 'Engaging with stakeholders' section of the Strategic Report on pages 5 to 13.

The directors, both individually and together as a board, consider that the decisions taken during the year ended 31 December 2024 in discharging the function of the SPUK Board were in conformance with their duty under Section 172 of the Companies Act 2006.

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

BY ORDER OF THE SPUK BOARD



Marion S Venman

Secretary

21 March 2025

Directors' Report

INTRODUCTION

The directors present their report and audited Accounts for the year ended 31 December 2024.

Information contained within the Strategic Report

The directors have chosen to disclose information on the following, required by the Companies Act 2006 to be included in the Directors' Report, within the Strategic Report, found on pages 54 to 60:

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

In addition, energy and carbon reporting disclosures, as required by entities in scope of the 2018 Regulations are included in within the Strategic Report on pages 45 to 47.

Results and dividend

The net profit for the year attributable to the equity holders of the parent amounted to £1,184 million (2023 £1,127 million). A dividend of £850 million was paid during the year (2023 £780 million). Refer to Note 28 for further details.

Taxation

The Iberdrola Board has explicitly acknowledged its responsibility for tax policy and strategy in all of the companies that it controls. The Iberdrola Board has approved a Corporate Tax Policy which forms part of the Governance and Sustainability System adopted by the Company and sets out that board's commitment to responsible tax practices throughout the Iberdrola Group. The Corporate Tax Policy was first approved by the Iberdrola Board in 2010 and is regularly updated.

The Group applies the Corporate Tax Policy as adopted by the Company and the ScottishPower Tax Strategy as approved by the SPL Board, following review by its Audit and Compliance Committee ("SP ACC"), which accords with the Corporate Tax Policy and, as required by UK law, is published on the Corporate website under 'About Us'/'Company Reporting'.

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

Further details on taxes and other government obligations can be found in the Strategic Report on page 17.

CORPORATE GOVERNANCE

Statement regarding the corporate governance arrangements of the Group

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

The ultimate parent of the Company is Iberdrola, S.A., whose shares are listed on all four stock markets in Spain and traded through the electronic continuous market of the Spanish Stock Exchange. The Company, which is wholly owned by SPL, does not apply a corporate governance code on the basis that the SPL Board, in accordance with its terms of reference applies its own corporate governance system, which amongst other things, contains rules and principles based on widely recognised good governance recommendations, which is known as the ScottishPower Governance and Sustainability System ("SP GSS"), and which is adopted by the Company. Key rules and principles of the SP GSS that applied to the Company and its group during 2024 are set out in this statement.

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

Corporate governance system

The Company is governed by the SPUK Board, which consists of directors who bring a broad range of skills and experience to the Company. The SPUK Board is regulated in accordance with the Company's Articles of Association which are registered at Companies House.

In discharging its responsibilities and in the exercise of its decision-making powers under the Company's Articles of Association and the SPUK Board's own terms of reference, the SPUK Board has adopted the SP GSS which consequently applies to, and is applied by the Company.

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

Directors' Report

CORPORATE GOVERNANCE *continued*

Board composition

The directors who held office during the year were as follows:

Nicola Connelly	Director (resigned 18 June 2024)
Marion S. Venman	Director
Donald Wright	Director (resigned 31 December 2024)
Charles Langan	Director
Caireen Devanney	Director (appointed 26 June 2024)

As at the date of this report, there have been no changes to the composition of the board of the Company since the year-end.

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

Purpose and values

The structure of the Company, and the Group, is set out in the 'Who we are' section of the Strategic Report. During 2024, the SPUK Board has taken into account the Purpose and Values of the Iberdrola Group and the Code of Ethics which are published on the Corporate website under 'Corporate Governance'/'Governance and Sustainability System'/'Purpose', and which form part of the GSS. These documents define and promote the purpose, values and culture of the Company and the Group.

Director responsibilities

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

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

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

Opportunity and risk

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

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

To maintain this strategic direction, ScottishPower develops and implements risk management policies and procedures and promotes a robust control environment at all levels of the organisation. The risk policies and principles applicable to the Company form part of the SP GSS.

During 2024, the governance structure was supported by the internal control and risk management systems of ScottishPower. The risk management function, as part of the Internal Audit and Risk department reports to the SP ACC, and thus supports ScottishPower, including the Company in the execution of due diligence and risk management across ScottishPower, as described in the 'Group principal risks and uncertainties' section of the Strategic Report. In pursuing these objectives, these systems only provide reasonable, and not absolute, assurance against material misstatement or loss.

Remuneration

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

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

Stakeholders

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

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

Directors' Report

CORPORATE GOVERNANCE *continued*

Administrative, management and supervisory bodies

SPL Board

The SPL Board comprised the Chairman, José Ignacio Sánchez Galán, who is also the Executive Chairman of Iberdrola, and eight other directors as at 31 December 2024.

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

José Ignacio Sánchez Galán	Chairman, internal, non-executive director	Attended six meetings
Professor Sir James McDonald	Vice-chairman, external, non-executive director	Attended six meetings
Keith Anderson	CEO	Attended six meetings
Wendy Barnes	External, non-executive director	Attended six meetings
Iñigo Fernández de Mesa Vargas	External, non-executive director	Attended six meetings
Professor Dame Anne Glover	External, non-executive director	Attended six meetings
Daniel Alcain López	Internal, non-executive director	Attended six meetings
Gerardo Codes Calatrava	Internal, non-executive director	Attended six meetings
José Sainz Armada	Internal, non-executive director	Attended six meetings

SP ACC

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

The SP ACC's responsibilities include amongst other things:

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

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

Membership and attendance

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

Iñigo Fernández de Mesa Vargas	Chairman, external, non-executive director	Attended five meetings
Wendy Barnes	External, non-executive director	Attended five meetings
Daniel Alcain López	Internal, non-executive director	Attended five meetings

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

Matters considered by the SP ACC during 2024

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

Directors' Report

CORPORATE GOVERNANCE *continued*

Significant financial statement reporting issues

In preparing the financial statements, there are a number of areas requiring management to apply a high degree of estimation. After discussion with management and the external auditor, the significant areas of estimation uncertainty reviewed and considered by the SP ACC in relation to the 2024 financial statements, and how these were addressed, are set out in the table below.

SIGNIFICANT JUDGEMENT UNCERTAINTY FOR THE YEAR ENDED 31 DECEMBER 2024	HOW THE SP ACC ADDRESSED THIS SIGNIFICANT JUDGEMENT
<p>Significant judgements made in determining the classification of NWEN as an investment in an associate</p> <p>The group acquired 88% of NWEN, however, had limited control over NWEN due to the Initial Enforcement Order issued by the CMA. Judgement has been applied to assess whether the Group controlled, or had significant influence over, NWEN. Further details are provided in Note 3 and Note 10 on pages 79 and 105 respectively.</p>	<p>The SP ACC reviewed the assumptions applied in determining the investment in NWEN would be recognised as an associate in the financial statements. Following this review, the SP ACC supported this judgement.</p>
SIGNIFICANT FINANCIAL ESTIMATION UNCERTAINTY FOR THE YEAR ENDED 31 DECEMBER 2024	HOW THE SP ACC ADDRESSED THESE SIGNIFICANT FINANCIAL ESTIMATIONS
<p>Accounting for Group and parent company retirement benefit obligations</p> <p>The assumptions in relation to the cost to the Group of providing future post-retirement benefits are set after consultation with qualified actuaries and can have a material impact on the financial position of the Group. The costs, assets and liabilities of the Group's defined benefit schemes are regularly reviewed. Advice is taken from independent actuaries and other specialists within the Iberdrola Group on the IAS 19 'Employee Benefits' ("IAS 19") valuation of the schemes including the complex assets. Further details are provided in Notes 3, 4F and 9 on pages 80, 83 and 96 respectively.</p>	<p>The SP ACC were updated on the combined schemes' valuation particularly in relation to the schemes' key assumptions and complexity of level 3 asset valuations. Following this review, the SP ACC supported this judgement.</p>
<p>Recognition of accrued ('unbilled') revenue</p> <p>Revenue from energy sales to customers includes estimates of the value of electricity and gas supplied between the most recent meter reading and the period end. This is based on estimates and assumptions in relation to the consumption and its valuation. Further details are provided in Notes 3 and 4L(d) on pages 80, 87 and 88 respectively.</p>	<p>The SP ACC reviewed the estimation processes and assumptions applied in determining the recognition of unbilled revenue and were updated on the impact on the financial statements. Following this review, the SP ACC supported this judgement.</p>
<p>Expected credit loss ("ECL") on energy customers' trade receivables</p> <p>The recoverability of the Group's billed energy receivables in Customer business is a key area of estimation uncertainty given the risk of customer default. The level of the Group's aged debt is monitored with the allowance for ECL being based on assumptions derived from estimated future cash flows, the ageing profile of the debt, prior experience and an assessment of the current economic environment. Further details are provided Notes 3, 4H1.2(d) and 12(b) on pages 80, 84, 116, 117 and 118 respectively.</p>	<p>The SP ACC considered the assumptions impacting the allowance for ECL, including the recent regulatory changes imposed by Ofgem on the ability of suppliers to fit prepayment meters and the ongoing cost of living crisis, and related charges and the processes for debt collection and calculating the ECL. Following this review, the SP ACC supported this judgement.</p>
<p>Accounting for decommissioning</p> <p>Decommissioning costs are subject to a degree of uncertainty as they are estimated at the reporting date and there is uncertainty in relation to the timing of when the decommissioning costs will be incurred. The sources of estimation relate to the value of costs at the reporting date and the discount rate applied. Further details are provided in Notes 3 and 4K on pages 80, 81 and 87 respectively.</p>	<p>The SP ACC were updated on the valuation process and assumptions in relation to decommissioning costs. Following this review, the SP ACC supported these conclusions.</p>

Directors' Report

CORPORATE GOVERNANCE *continued*

ScottishPower Management Committee ("SPMC")

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

ScottishPower Executive Committee ("SP ExCom")

The SP ExCom is a permanent internal body, which was established in 2025, after the period under review, by the SPL Board with executive powers defined under its own terms of reference (published on the Corporate website).

The SP ExCom is comprised of the Chairman and the CEO of the SPL Board, together with two non-executive directors of the same (of which one is an external director).

Boards of the Head of Business companies

The boards of directors of SPENH ("SPENH Board"), SPREL ("SPREL Board") and SPRH ("SPRH Board") are responsible for the effective management of Energy Networks, Renewable production and Customer business respectively, in accordance with the strategy of ScottishPower. These boards meet regularly and review strategy, operational performance and risk issues on behalf of the respective businesses.

SPENH Board

The SPENH Board comprised the Chair, Ana T. Lafuente González, and six other directors as at 31 December 2024. The directors, and their attendance at SPENH Board meetings held during the period under review (five meetings), were as follows:

Elena León Muñoz	Chair, internal, non-executive director	Attended no meetings (resigned 17 January 2024)
Ana T. Lafuente González	Chair, internal, non-executive director	Attended five meetings (appointed 25 January 2024)
Vicky Kelsall	CEO	Attended three meetings (resigned 30 June 2024)
Nicola Connelly	CEO	Attended two meetings (appointed 1 July 2024)
Alison McGregor	External, non-executive director	Attended three meetings (resigned 22 August 2024)
Gillian King	External, non-executive director	Attended three meetings (appointed 19 June 2024)
Rt Hon. Charles Hendry	External, non-executive director	Attended five meetings
Lord Hutton of Furness	External, non-executive director	Attended two meetings (appointed 15 July 2024)
Mónica Grau Domene	Internal, non-executive director	Attended five meetings
José Ignacio Sánchez-Galán García-Tabernero	Internal, non-executive director	Attended four meetings

Douglas Ness was appointed as an Internal, Executive Director on 20 March 2025. Mónica Grau Domene resigned as Director on 21 March 2025. The terms of reference of the SPENH Board together with the rest of the Energy Networks Governance and Sustainability System approved by the SPENH Board, are published at www.spenergynetworks.co.uk under 'Corporate Governance' and further define the responsibilities and powers of the SPENH Board as regards Energy Networks and its stakeholders.

SPENH Audit and Compliance Committee ("SPENH ACC")

The SPENH ACC undertakes the role and function of the SP ACC as they relate to Energy Networks. The relationship between the SP ACC and the SPENH ACC is governed in accordance with their respective terms of reference. The SPENH ACC's terms of reference are published at www.spenergynetworks.co.uk under 'Corporate Governance' and further define the responsibilities of the SPENH ACC.

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

Alison McGregor	Chair, external, non-executive director	Attended three meetings (resigned 22 August 2024)
Gillian King	Chair, external, non-executive director	Attended two meetings (appointed 19 June 2024 and further appointed Chair on 26 August 2024)
Rt Hon. Charles Hendry	External, non-executive director	Attended five meetings
Mónica Grau Domene	Internal, non-executive director	Attended five meetings

Douglas Ness was appointed as an Internal, Executive Director on 20 March 2025. Mónica Grau Domene resigned as Director on 21 March 2025.

SPREL Board

The SPREL Board comprised the Chairman, Xabier Viteri Solaun, and five other directors as at 31 December 2024. The directors and their attendance at SPREL board meetings held during the period under review (five meetings) are shown below:

Xabier Viteri Solaun	Chairman, internal, non-executive director	Attended five meetings
Charles Jordan	CEO	Attended five meetings
Dr. Bridget McConnell	External, non-executive director	Attended five meetings
Nicola Connelly	Internal, non-executive director	Attended two meetings (resigned 18 June 2024)
Charles Langan	Internal, non-executive director	Attended five meetings (resigned 20 March 2025)
Álvaro Martínez Palacio	Internal, non-executive director	Attended three meetings
Marion S Venman	Internal, non-executive director	Attended five meetings

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

Directors' Report

CORPORATE GOVERNANCE *continued*

SPRH Board

The SPRH Board comprised the Chairman, Aitor Moso Raigoso, and four other directors as at 31 December 2024. The directors and their attendance at SPRH Board meetings held during the period under review (five meetings) are shown below:

Aitor Moso Raigoso	Chairman, internal, non-executive director	Attended five meetings
Andrew Ward	CEO	Attended five meetings
Nicola Connelly	Internal, non-executive director	Attended two meetings (resigned 18 June 2024)
Charles Langan	Internal, non-executive director	Attended three meetings (appointed 26 June 2024 and resigned 20 March 2025)
David Gracia Fabre	Internal, non-executive director	Attended two meetings (resigned 30 April 2024)
Iñigo Alonso Santiago	Internal, non-executive director	Attended three meetings (appointed 7 May 2024)
Marion S Venman	Internal, non-executive director	Attended five meetings

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

DIRECTORS' INDEMNITY

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

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with international accounting standards as adopted by the UK at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2024 ("UK-adopted international accounting standards") and applicable law, and have elected to prepare the parent company financial statements in accordance with UK generally accepted accounting practice, Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and applicable law.

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of the financial statements differs from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed refer to 'Board composition' section of Directors' Report on pages 54 to 60, confirms that to the best of their knowledge:

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

Directors' Report

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

AUDITOR

KPMG LLP were re-appointed as the auditor of the Company for the year ending 31 December 2025.

BY ORDER OF THE SPUK BOARD



Marion S Venman

Secretary

21 March 2025



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH POWER UK PLC

1. Our opinion is unmodified

We have audited the financial statements of Scottish Power UK plc ("the Company") for the year ended 31 December 2024 which comprise the consolidated and company statements of financial position, consolidated income statement, consolidated and company statements of comprehensive income, consolidated and company statements of changes in equity, consolidated statements of cash flows and the related notes, including the accounting policies in Note 4.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Scottish Power Audit and Compliance Committee ("SP ACC").

We were first appointed as auditor by the directors on 11 January 2018. The period of total uninterrupted engagement is for the eight financial years ended 31 December 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	£78m (2023: £65m)
Group financial statements as a whole	4.5% (2023: 4.0%) of Group profit before tax (2023: Group profit before tax)

Key audit matters vs 2023

Recurring risks	Recurring risks	
	Valuation of Customer business accrued ('unbilled') revenue	◀▶
	Recoverability of Customer business domestic & SME customer receivables	▲
	Valuation of IAS 19 provision for retirement benefit obligations	◀▶
	Valuation of longevity swaps in the Group's defined benefit pension schemes	◀▶

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

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2023), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Relevant to Group only	Subjective estimate	Our procedures included:
Valuation of Customer business accrued ('unbilled') revenue (Gross carrying amount of £513 million; 2023: £695 million) (Revenue constraint: £44 million constraint relating to energy volumes which have still to reach final settlement; 2023: £54 million) Refer to page 57 (SP ACC statement), page 87 (accounting policy) and Note 12 (Trade and other receivables disclosure).	<p>The recognition of accrued ('unbilled') revenue is subject to a degree of estimation uncertainty as a result of the industry in which the Customer business operates.</p> <p>If actual meter readings are not available at the year-end, energy supplied to end customers is estimated based on standard external industry settlement data or internal information where settlement data is not yet available. The degree of estimation uncertainty diminishes over time as more accurate data becomes available and customers are billed. However, estimation is inherent in the valuation of accrued ('unbilled') revenue as at the year-end.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of Customer business accrued ('unbilled') revenue has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p> <p>The financial statements (Note 3) disclose the sensitivity estimated by the Group.</p>	<p>— Control design, observation and operation: Testing the design, implementation and operating effectiveness of the Group's internal controls. Due to the level of IT reliance, we involve our IT Audit specialists in testing the algorithmic logic of the internal billing systems used to derive estimates of customer consumption, the validation of meter readings; the identification of billing exceptions and interfaces with the General Ledger;</p> <p>— Our sector experience: Evaluating the Group's key assumptions, in particular those relating to units of energy supplied, price per unit and the revenue constraint in relation to energy volumes which are yet to reach final settlement by comparing them to external data, actual billing data and our own independent expectations of recovery based on our knowledge of the entity and experience of the industry in which it operates;</p> <p>— Data comparisons: Using our internal Data and Analytics specialists to format the data, the audit team perform a comparison of volume data for the financial year to standard settlement data obtained directly from the external industry bodies;</p> <p>— Tests of detail: Comparing the Group's estimates as at the year-end to standard external industry settlement data and billing information available post year end;</p> <p>— Independent reperformance: Independently recalculating the likely total Customer business revenue (including unbilled revenue) in the year and comparing it to the actual amount recognised in the income statement;</p> <p>— Historical comparisons: Evaluating the effectiveness of the Group's prior period estimation process by comparing the historical estimate to the actual outcome; and</p> <p>— Assessing transparency: Assessing the adequacy of the Group's disclosures about the degree of estimation uncertainty associated with the valuation of accrued ("unbilled") revenue.</p> <p>Our results</p> <p>— We found the carrying value of Customer business accrued ('unbilled') revenue to be acceptable (2023: acceptable).</p>

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

2. Key audit matters: our assessment of risks of material misstatement *continued*

	The risk	Our response
<p>Relevant to Group only</p> <p>Recoverability of Customer business domestic & SME customer receivables</p> <p>(Gross carrying amount: £932 million; 2023: £897 million)</p> <p>(Loss allowance: £332 million; 2023: £287 million)</p> <p>Refer to page 57 (SP ACC statement), page 84 (accounting policy) and Note 12 (Trade and other receivables disclosure).</p>	<p>Subjective estimate</p> <p>The Customer business carries significant exposure over the recoverability of customer receivables. Although energy prices have come down from their peak, the risk continues to be heightened in the current year due to historical high levels of aged debt and recovery methods being limited due to the prepayment restrictions and the subsequent backlog.</p> <p>An allowance for expected credit losses is provided, using the simplified approach, based on an estimate of future cash flows. In arriving at this estimate, the Group considers the current ageing profile of debt, historical collections experience by payment plan and an assessment of current economic conditions, which is in line with the approach required by IFRS 9.</p> <p>As part of our risk assessment, we determined that the valuation of the expected credit loss provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The significant risk is specifically over the forward looking overlay as this is the area with the most subjectivity</p> <p>The financial statements Note 3 disclose the sensitivity estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> — Control design, observation and operation: Tested the design, implementation and operating effectiveness of the Group's internal controls, including IT controls, over the relevant data elements used in the estimation of the loss allowance and the process for reconciling cash receipts and the general ledger; — Our sector experience: Benchmarked methodology, including how the current ageing profile of debt, historical collections experience by payment plan and the assessment of current economic conditions are incorporated, to industry practice and our expectations based on our knowledge of the entity and experience of the industry in which it operates; — Independent reperformance: Assessed whether the loss allowance, recognised as at the year-end, was accurately and consistently calculated in accordance with the Group's methodology. — Historical comparisons: Evaluated the effectiveness of the Group's estimation process by comparing original estimates to the actual outcome over several periods; — Sensitivity analysis: Challenged management about their forward-looking assumptions, including overlay adjustments, and performed sensitivity analysis to demonstrate the impact of using alternative assumptions. Sensitivity analysis was also performed over management's methodology to consider the impact of alternative methods on the provision; Linked to the above sensitivity analysis, we have engaged KPMG Macroeconomic specialists to provide arrears analysis based on economic forecasts; and — Assessing transparency: Assessing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the allowance for expected credit loss. <p>Our results</p> <ul style="list-style-type: none"> — We found the carrying amount for Customer business domestic and SME customer receivables to be acceptable (2023: acceptable).

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

2. Key audit matters: our assessment of risks of material misstatement *continued*

	The risk	Our response
<p>Relevant to Group and Parent company</p> <p>Valuation of IAS 19 provision for retirement benefit obligations</p> <p>(Liability of £3,012 million; 2023: Liability of £3,237 million)</p> <p>Refer to page 57 (SP ACC statement), page 83 (accounting policy) and Note 9(F) (Retirement benefits).</p>	<p>Subjective valuation</p> <p>Relatively small changes in the key actuarial assumptions underlying the valuation of the group's defined benefit schemes, including the discount rate, inflation and mortality/life expectancy of members, could materially impact the valuation of the obligation at the year-end due to the judgement involved in developing the assumptions.</p> <p>The valuation of the retirement benefit obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.</p> <p>The financial statements (Note 9 (E2)) disclose the sensitivity estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> — We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. — Methodology implementation and benchmarking of assumptions Assessing, with the support of our internal actuarial specialists, the methodology implemented by the Group for setting up the individual actuarial assumptions. Using inquiry, gathering information in relation to significant and any unusual matters and transactions relevant to either pension schemes which may impact our audit approach; — Benchmarking assumptions: Challenging, with the support of our internal actuarial specialists, the key assumptions applied, being the discount rate, RPI inflation and mortality/life expectancy against our independently derived assumptions for each pension scheme; — Assessment of the source data: The membership and cash flow data used to calculate the valuation of the retirement benefit obligation was tested for completeness and accuracy by tracing back to legal documents and bank statements; — Assessing valuers' credentials: Evaluating the competence, capability and objectivity of the Group's external actuary; — Assessing transparency: Considering the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to these assumptions; and <p>Our results</p> <ul style="list-style-type: none"> — We found the valuation of the IAS 19 provision for retirement benefit obligations to be acceptable (2023: acceptable).

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

2. Key audit matters: our assessment of risks of material misstatement *continued*

	The risk	Our response
<p>Relevant to Group and Parent company</p> <p>Valuation of longevity swaps in the Group's defined benefit pension schemes</p> <p>At 31 December 2024, Longevity swap is in deficit of £320 million (2023: Deficit of £340 million).</p> <p>Refer to page 57 (SP ACC statement), page 83 (accounting policy) and Note 9(E3(c)) (Retirement benefits).</p>	<p>Subjective estimate</p> <p>Relatively small changes in the mortality assumptions underlying the valuation of the longevity swap could materially impact the valuation of the longevity swap at the year-end due to the judgement involved in developing the assumptions</p> <p>The valuation of the longevity swap has a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and as a result we determined that there is a significant risk over valuations of longevity swap on the financial statement of Scottish Power Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> — We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. — Assessing valuers' credentials: Evaluated the competence, capability and objectivity of the experts responsible for the independent valuation of the longevity swap; — Our valuation expertise: Engaged our own valuation specialists to critically assess the valuation of the longevity swaps by comparing against our independently derived valuation range; — Assessing valuation methodology: Challenging the valuation methodology used by the Group's external experts engaged (by the Trustees) to independently value the complex longevity swap, including assessing if the methodology is in compliance with the relevant accounting standards.; — Tests of detail: Performed substantive tests of detail on the schemes' longevity swaps to determine whether they had been appropriately valued based on information from suitably qualified and objective third parties; and — Assessing transparency: Considered the adequacy of the Group's disclosures in respect of the estimation uncertainty relating to the complex valuation of longevity swap. <p>Our results</p> <ul style="list-style-type: none"> — We found the valuation of longevity swaps in the Group's defined benefit pension schemes to be acceptable (2023: acceptable).

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

3. Our application of Group materiality and an overview of the scope of our audit

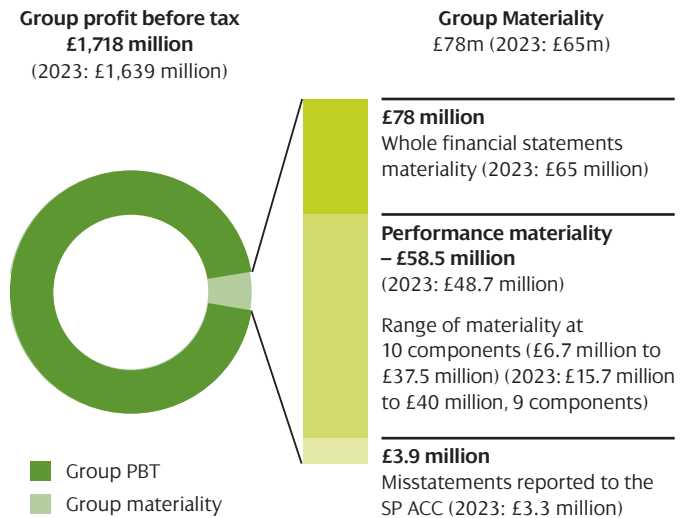
Materiality for the Group financial statements as a whole was set at £78 million (2023: £65 million), determined with reference to a benchmark of Group profit before tax of £1,718 million (2023: profit before tax £1,639 million) of which it represents 4.5% (2023: 4.0%).

Materiality for the parent company financial statements was set with reference to a benchmark of net assets at £77 million (2023: £63 million) of which it represents 0.9% (2023: 0.9%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2023: 75%) of materiality for the financial statements as a whole, which equates to £58.5 million (2023: £48.8 million) for the group and £57.7 million (2022: £47.2 million) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the SP ACC any corrected or uncorrected identified misstatements exceeding £3.9 million (2023: £3.3 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.



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

Overview of the scope of our audit

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement ("RMMs"). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 51 components, having considered our evaluation of the group's operational structure, existence of common information systems and the presence of key audit matters and our ability to perform audit procedures centrally.

Of those, we identified 4 quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

Additionally, having considered qualitative and quantitative factors, we selected 6 components with accounts contributing to the specific RMMs of the Group financial statements.

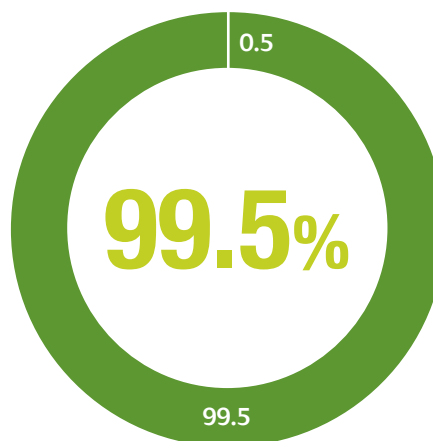
Accordingly, we performed audit procedures on 2 components, and we involved component auditors, all based in Glasgow, in performing the audit work on 8 components. We also performed the audit of the parent Company.

We were able to rely upon the Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

We set the component materialities, ranging from £6.7 million to £37.5 million, having regard to the mix of size and risk profile of the Group across the components.

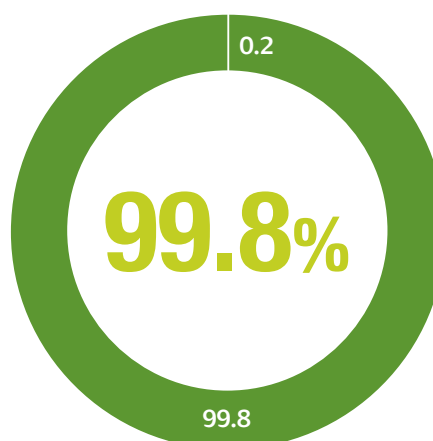
Our audit procedures covered the following percentage of Group revenue:

Group revenue

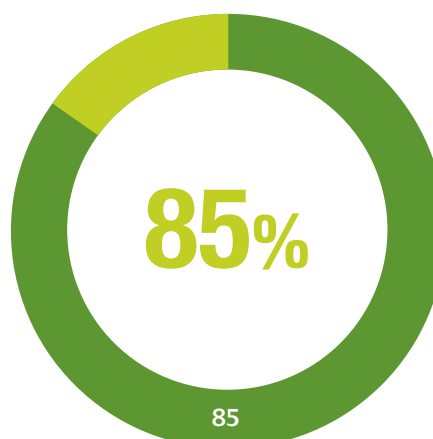


We performed audit procedures in relation to components that accounted for 99.8% of Group profit before tax and 85% of Group total assets

Group profit before tax



Group total assets



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

Group auditor oversight

As part of establishing the overall Group audit strategy and plan, we conducted the risk assessment and planning discussion meeting with component auditors to discuss Group audit risks relevant to the components, including the key audit matters in respect of Valuation of accrued revenue and Recoverability of Customer business domestic & SME customer receivables.

KPMG Glasgow performed all the component audits and therefore the KPMG Glasgow Group audit team worked very closely with the component audit teams, holding joint planning and risk assessment meetings, regular meetings throughout the audit. At these meetings, the results of the planning and further audit procedures communicated to us were discussed in more detail, and any further work required by us was then performed by the component auditors.

We inspected the work performed by the component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed, with a particular focus on Valuation of accrued revenue and Recoverability of Customer business domestic & SME customer receivable.

4. Going concern

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were the impact on the Customer business division of potential volatility of wholesale energy prices, an increase in customer debt due to slower cash collections, the extent of permitted cost recovery under the domestic price cap, continued prepayment meter restrictions and a reduction in customer demand.

We also considered less predictable but realistic second order impacts, such as volume and price decreases along with widespread storm related costs in the Networks division and reductions in wind power prices and volumes and cost overruns on development projects in the Renewables division.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included critically assessing assumptions in the directors' base and downside scenarios relevant to liquidity, in particular the ability and intention of Iberdrola Group to continue to provide funding for the Group, the increased capital expenditure in the Renewables division and reductions in the forward price projections for Renewables' generation output.

We considered whether the going concern disclosure in note 2A3 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2A3 to be acceptable.

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

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at the Group level and a request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the recognition of defined benefit pension assumptions, defined benefit pension longevity swap valuations, valuation of Customer business accrued revenue and valuation of Customer business billed debt. On this audit we do not believe there is a fraud risk related to revenue recognition because, with the exception of the accrued revenue, the Group's revenues consist entirely of routine,

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

5. Fraud and breaches of laws and regulations – ability to detect *continued*

non-complex transactions which are subject to systematic processing and do not require significant judgements.

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

Further detail in respect of Recoverability of Customer business domestic & SME customer receivables is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts. Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias including assessing Recoverability of Customer business domestic & SME customer receivable for bias.
- We engaged KPMG macroeconomic specialists to perform analysis and additional sensitivities.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

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

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

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

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

We discussed with the Audit and Compliance Committee other matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

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

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

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

6. We have nothing to report on the strategic report and the directors' report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

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

7. We have nothing to report on the other matters on which we are required to report by exception

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

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

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

7. We have nothing to report on the other matters on which we are required to report by exception *continued*

- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

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

Auditor's responsibilities

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

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

9. The purpose of our audit work and to whom we owe our responsibilities

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



William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

319 St. Vincent Street
Glasgow
G2 5AS
21 March 2025

SCOTTISH POWER UK PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2024

	Notes	2024 £m	2023 £m
NON-CURRENT ASSETS			
Intangible assets	6	602	544
Property, plant and equipment	7	17,866	16,337
Right-of-use assets	8	551	532
Retirement benefits asset	9	204	247
Investments accounted for using the equity method	10	2,275	10
Derivative financial instruments	11	23	90
Trade and other receivables	12	300	510
		21,821	18,270
CURRENT ASSETS			
Inventories	13	1,344	895
Trade and other receivables	12	2,190	2,351
Derivative financial instruments	11	147	213
Cash	11	92	159
		3,773	3,618
TOTAL ASSETS		25,594	21,888
EQUITY			
Share capital		4,952	3,552
Share premium		398	398
Hedge reserve	14	(185)	(234)
Other reserves		420	420
Retained earnings		2,815	2,561
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		8,400	6,697
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	10	626	686
TOTAL EQUITY		9,026	7,383
NON-CURRENT LIABILITIES			
Deferred income	15	1,581	1,500
Provisions for retirement benefit obligations	9	79	123
Other provisions	16	279	265
Loans and other borrowings	17	4,408	3,789
Derivative financial instruments	11	273	253
Other financial liabilities	18	18	21
Lease liabilities	8	577	551
Trade and other payables	19	8	7
Income tax liabilities		6	6
Deferred tax liabilities	20	1,864	1,656
		9,093	8,171
CURRENT LIABILITIES			
Deferred income	15	47	53
Other provisions	16	266	337
Loans and other borrowings	17	4,842	3,110
Derivative financial instruments	11	77	329
Other financial liabilities	18	84	226
Lease liabilities	8	44	41
Trade and other payables	19	1,929	2,157
Income tax liabilities		186	81
		7,475	6,334
TOTAL LIABILITIES		16,568	14,505
TOTAL EQUITY AND LIABILITIES		25,594	21,888

Authorised for issue by the SPUK Board and signed of its behalf on 21 March 2025.



Charles Langan
Director

The accompanying Notes 1 to 33 and Appendix 1 are an integral part of the Consolidated statement of financial position at 31 December 2024.

SCOTTISH POWER UK PLC
COMPANY STATEMENT OF FINANCIAL POSITION
at 31 December 2024

	Notes	2024 £m	2023 £m
NON-CURRENT ASSETS			
Intangible assets	6	39	31
Property, plant and equipment	7	50	43
Right-of-use assets	8	93	97
Retirement benefits asset	9	204	247
Investments in subsidiaries	10	7,238	5,023
Derivative financial instruments	11	10	17
Trade and other receivables	12	4,168	3,994
		11,802	9,452
CURRENT ASSETS			
Trade and other receivables	12	209	67
Current tax asset		21	32
		230	99
TOTAL ASSETS		12,032	9,551
EQUITY			
Share capital		4,952	3,552
Share premium		398	398
Hedge reserve		–	1
Other reserves		420	420
Retained earnings	(i)	1,613	1,803
TOTAL EQUITY		7,383	6,174
NON-CURRENT LIABILITIES			
Provisions for retirement benefit obligations	9	79	123
Other provisions	16	3	3
Loans and other borrowings	17	2,175	1,367
Other financial liabilities	18	8	8
Lease liabilities	8	112	116
Trade and other payables	19	5	3
Deferred tax liabilities	20	35	31
		2,417	1,651
CURRENT LIABILITIES			
Other provisions	16	3	2
Loans and other borrowings	17	2,158	1,658
Other financial liabilities	18	12	17
Lease liabilities	8	8	8
Trade and other payables	19	51	41
		2,232	1,726
TOTAL LIABILITIES		4,649	3,377
TOTAL EQUITY AND LIABILITIES		12,032	9,551

(i) Retained earnings includes a net profit after taxation of £746 million (2023 £1,070 million).

Authorised for issue by the SPUK Board and signed of its behalf on 21 March 2025.



Charles Langan
Director

SCOTTISH POWER UK PLC
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Revenue	21	6,583	9,454
Procurements		(2,441)	(5,293)
GROSS MARGIN		4,142	4,161
Staff costs	22	(275)	(278)
External services		(662)	(675)
Other operating results		99	92
Net operating costs		(838)	(861)
Taxes other than income tax	23	(500)	(368)
GROSS OPERATING PROFIT		2,804	2,932
Net expected credit losses on trade and other receivables		(109)	(206)
Depreciation and amortisation charge, allowances and provisions	24	(790)	(814)
OPERATING PROFIT		1,905	1,912
Result of investments accounted for using the equity method	10	41	1
Dividends received		–	1
Finance income	25	134	145
Finance costs	26	(362)	(419)
PROFIT BEFORE TAX		1,718	1,640
Income tax	27	(473)	(421)
NET PROFIT FOR THE YEAR		1,245	1,219
Non-controlling interests	10	(61)	(92)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT		1,184	1,127

All results relate to continuing operations.

The accompanying Notes 1 to 33 and Appendix 1 are an integral part of the Consolidated income statement for the year ended 31 December 2024.

SCOTTISH POWER UK PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
NET PROFIT FOR THE YEAR		1,245	1,219
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to the Income statement:			
Cash flow hedges:			
Changes in the value of cash flow hedges	14	63	712
Tax relating to cash flow hedges	14	(14)	(164)
		49	548
Items that will not be reclassified to the Income statement:			
Retirement benefits:			
Movements in retirement benefits		(114)	(241)
Tax relating to movements in retirement benefits		28	59
Cash flow hedges:			
Changes in the value of cash flow hedges	14	–	(43)
Tax relating to cash flow hedges	14	–	11
		(86)	(214)
SHARE OF OTHER COMPREHENSIVE INCOME OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	10	6	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(31)	334
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,214	1,553
Total comprehensive income for the year attributable to equity holder of the parent		1,153	1,461
Total comprehensive income for the year attributable to non-controlling interests		61	92
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,214	1,553

COMPANY STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2024

	2024 £m	2023 £m
NET PROFIT FOR THE YEAR	746	1,070
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the Income statement:		
Cash flow hedges:		
Changes in the value of cash flow hedges	(1)	–
	(1)	–
Items that will not be reclassified to the Income statement:		
Retirement benefits:		
Movements in retirement benefits	(114)	(241)
Tax relating to movements in retirement benefits	28	59
	(86)	(182)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	(87)	(182)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	659	888

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

SCOTTISH POWER UK PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024

	Attributable to equity holder of the parent							
	Share capital (Note (a)) £m	Share premium (Note (b)) £m	Hedge reserve (Note (c)) £m	Other reserves (Note (d)) £m	Retained earnings (Note (e)) £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2023	3,552	398	(750)	420	2,412	6,032	1,035	7,067
Profit for the year attributable to the equity holder of the Company	–	–	–	–	1,127	1,127	92	1,219
Changes in the value of cash flow hedges	–	–	669	–	–	669	–	669
Movements in retirement benefits	–	–	–	–	(241)	(241)	–	(241)
Tax relating to cash flow hedges	–	–	(153)	–	–	(153)	–	(153)
Tax relating to movements in retirement benefits	–	–	–	–	59	59	–	59
Acquisition of remaining interest in a subsidiary	–	–	–	–	(16)	(16)	(1)	(17)
Dividends	–	–	–	–	(780)	(780)	(440)	(1,220)
At 31 December 2023 and 1 January 2024	3,552	398	(234)	420	2,561	6,697	686	7,383
Share capital issued	1,400	–	–	–	–	1,400	–	1,400
Profit for the year attributable to the equity holder of the Company	–	–	–	–	1,184	1,184	61	1,245
Changes in the value of cash flow hedges	–	–	63	–	–	63	–	63
Movements in retirement benefits	–	–	–	–	(114)	(114)	–	(114)
Tax relating to cash flow hedges	–	–	(14)	–	–	(14)	–	(14)
Tax relating to movements in retirement benefits	–	–	–	–	28	28	–	28
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	–	6	6	–	6
Dividends	–	–	–	–	(850)	(850)	(121)	(971)
At 31 December 2024	4,952	398	(185)	420	2,815	8,400	626	9,026

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024

	Share capital (Note (a)) £m	Share premium (Note (b)) £m	Hedge reserve (Note (c)) £m	Other reserves (Note (d)) £m	Retained earnings (Note (e)) £m	Total £m
At 1 January 2023	3,552	398	1	420	1,695	6,066
Profit for the year attributable to the equity holders of the Company	–	–	–	–	1,070	1,070
Movements in retirement benefits	–	–	–	–	(241)	(241)
Tax on movements in retirement benefits	–	–	–	–	59	59
Dividends	–	–	–	–	(780)	(780)
At 31 December 2023 and 1 January 2024	3,552	398	1	420	1,803	6,174
Share capital issued	1,400	–	–	–	–	1,400
Profit for the year attributable to the equity holder of the Company	–	–	–	–	746	746
Changes in the value of cash flow hedges	–	–	(1)	–	–	(1)
Movements in retirement benefits	–	–	–	–	(114)	(114)
Tax on movements in retirement benefits	–	–	–	–	28	28
Dividends	–	–	–	–	(850)	(850)
At 31 December 2024	4,952	398	–	420	1,613	7,383

- (a) During the year the Company issued 2,800,000,000 new ordinary shares of £0.50 each to its parent company Scottish Power Limited. Therefore at 31 December 2024 the Company had 9,903,427,542 allotted, called up and fully paid ordinary shares of 50p each (2023 7,103,427,542). Holders of these ordinary shares are entitled to dividends as declared from time to time; amounts on the capitalisation of profits and reserves; and notice and attendance at general meetings of the Company, with every member entitled to one vote on a show of hands and on a poll one vote for every share held.
- (b) The share premium account represents consideration received for shares issued in excess of their nominal amount.
- (c) The hedge reserve represents the balance of gains and losses on cash flow hedges (net of taxation) not yet transferred to income or the carrying amount of a non-financial asset (refer to Note 14).
- (d) For the Group and Company, other reserves comprises a capital contribution reserve of £412 million (2023 £412 million) and a capital redemption reserve of £8 million (2023 £8 million).
- (e) Retained earnings comprise the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders, principally dividends.

The accompanying Notes 1 to 33 and Appendix 1 are an integral part of the Consolidated statement of changes in equity and the Company statement of changes in equity for the year ended 31 December 2024.

SCOTTISH POWER UK PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2024

	2024 £m	2023 £m
Cash flows from operating activities		
Profit before tax	1,718	1,640
Adjustments for:		
Depreciation, amortisation and impairment	767	802
Research and development expenditure credit	(3)	(2)
Change in provisions	324	438
Result of companies accounted for using the equity method	(41)	(1)
Transfer of assets from customers	(47)	(49)
Net finance income and costs	228	274
Dividends received	–	(1)
Net losses on disposal/write-off of non-current assets	23	14
Movement in retirement benefits	(105)	(110)
Net fair value gains on operating derivatives	(1)	(8)
Movement in deferred income	(3)	(8)
Changes in working capital:		
Change in trade and other receivables	455	217
Change in inventories	(894)	(734)
Change in trade and other payables	(235)	(616)
Provisions paid	(16)	(5)
Assets received from customers (deferred income)	117	116
Income taxes paid	(142)	(52)
Net cash flows from operating activities (i)	2,145	1,915
Cash flows from investing activities		
Interest received	111	35
Dividends received	–	1
Investment in intangible assets	(157)	(86)
Investment in property, plant and equipment	(2,161)	(1,142)
Acquisition of investments accounted for using the equity method	(2,218)	–
Acquisition of subsidiary	(2)	–
Acquisition of remaining interest in a subsidiary	–	(16)
Movement in amounts due from related parties – on demand loans receivable	(83)	310
Net cash flows from investing activities (ii)	(4,510)	(898)
Cash flows from financing activities		
Movement in amounts due to related parties – on demand loans payable	1,860	247
Movement in amounts due to related parties – current loans payable	–	(190)
Movement in amounts due to related parties – non-current loans payable	815	–
Share capital issued	1,400	–
Dividends paid to the Company's equity holder	(850)	(780)
Dividends paid to non-controlling interests	(121)	(440)
Interest paid	(347)	(236)
Interest paid on lease liabilities	(20)	(20)
Repayment of external loans and borrowings	(398)	(255)
Payment of other financial liabilities	(7)	(9)
Payment of lease liabilities	(34)	(44)
Net cash flows from financing activities (iii)	2,298	(1,727)
Net decrease in cash and cash equivalents (i)+(ii)+(iii)	(67)	(710)
Cash and cash equivalents at beginning of year	159	869
Cash and cash equivalents at end of year	92	159
Cash and cash equivalents at end of year comprises:		
Statement of financial position cash (including restricted cash – refer to Note 11(a))	92	159
Statement of cash flows cash and cash equivalents	92	159

The accompanying Notes 1 to 33 and Appendix 1 are an integral part of the Consolidated statement of cash flows for the year ended 31 December 2024.

SCOTTISH POWER UK PLC

NOTES TO THE ACCOUNTS

31 December 2024

1 GROUP AND COMPANY INFORMATION

Scottish Power UK plc (registered company number SC117120), a private company limited by shares, is incorporated in Scotland and its registered address is 320 St. Vincent Street, Glasgow, Scotland, G2 5AD. The Company's immediate parent company, SPL, is the holding company of the ScottishPower group. The nature of the Group's and Company's operations and principal activities are set out in the Strategic Report on page 1.

The Consolidated financial statements for the year ended 31 December 2024 comprise those of the Company, its subsidiaries and joint arrangements (together referred to as "the Group"). The Company financial statements present information about the Company as a separate entity and not about the Group.

2 BASIS OF PREPARATION

A BASIS OF PREPARATION

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

The Consolidated accounts have been prepared in accordance with UK-adopted international accounting standards ("IAS"). Refer to Note A1 for the Basis of consolidation and equity accounting.

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

- the preparation of a Statement of cash flows and the related notes;
- comparative period reconciliations for intangible assets, property, plant and equipment and right-of-use assets;
- disclosures in respect of transactions with wholly owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- disclosures in respect of deferred tax assets and liabilities related to Pillar Two model rules income taxes;
- the effects of new, but not yet effective, IAS pronouncements; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Iberdrola, S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 'Fair Value Measurement' ("IFRS 13") and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement. The Company's income statement was authorised for issue by the SPUK Board on 21 March 2025. The net profit for the financial year per the financial statements of the Company was £746 million (2023 £1,070 million).

A1 BASIS OF CONSOLIDATION AND EQUITY ACCOUNTING

The Consolidated accounts incorporate the Accounts of the Company and its subsidiaries, joint arrangements and associates to 31 December each year. Further information about the Group's subsidiaries, joint arrangements and associates are detailed in Note 10 and Appendix 1.

(a) Subsidiaries

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

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

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

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

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

(b) Joint arrangements

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

SCOTTISH POWER UK PLC

NOTES TO THE ACCOUNTS *continued*

31 December 2024

2 BASIS OF PREPARATION *continued*

Joint ventures

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

Joint operations

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

(c) Associates

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

(d) Equity method

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

A2 CHANGE IN ESTIMATE – USEFUL LIVES OF ONSHORE UNDERGROUND CABLES

During the year, the Group increased the estimated useful life of its onshore underground cable assets from 40 years to 60 years, in order to better align the accounting estimate with the wider industry and the physical life span of the assets. This change in estimate was applied prospectively from 1 January 2024. The impact of this change for the period to 31 December 2024 has been a decrease to the depreciation charge of £59 million and a decrease to the deferred income relating to the transfer of assets from customers, which is released to revenue over the life of the associated assets, of £5 million. It is impracticable to estimate the effect of these changes on future periods.

A3 GOING CONCERN

The business activities of the Group and Company, together with the factors likely to affect their future development and position, are set out in the Strategic Report on pages 1 to 25. Details of the risks and uncertainties faced by the Group, and how these are addressed, are set out in the Strategic Report on pages 26 to 29.

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

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

The Company is the holding company of the Scottish Power UK plc Group which is a significant component of Iberdrola S.A., one of the world's largest utilities. The liquidity and financial management of the Group and Company is undertaken through the centralised UK treasury function operated by SPL ("SPL Treasury"). SPL Treasury coordinates with Iberdrola to manage the funding requirements of the Group and Company. Funding requirements are continually monitored, and any funding required satisfied using a mixture of funding provided via Iberdrola through the global treasury function and by using appropriate external financing arrangements. The day-to-day working capital requirements of the Group and Company are met through operational cash flows augmented by intercompany loans, both short-term and long-term, (refer to Note 17) and trading balances with the Iberdrola Group. SPL, and ultimately the Iberdrola Group, has also provided £2.7 billion of committed revolving credit facility maturing in 2029, as at the date of approval of these financial statements, the facility remains available and undrawn (refer to Note 17(xii)). In addition, a consortium of banks has also committed £3.6 billion of financing for the East Anglia Three project, expiring on 30 October 2025, with an option to extend and NWEN has a further £375 million of undrawn committed facilities. As a consequence, the Group and Company depend, in part, on the ability and intention of the Iberdrola Group to continue as a going concern. The directors have considered the funding relationship of the Group and Company with Iberdrola to date and have considered available relevant information, including the liquidity disclosures in the Iberdrola Group's 2024 financial statements, relating to Iberdrola's ability to continue as a going concern. In addition, the directors have inquired with the Iberdrola Group and have no reason to believe that they do not have the ability to, and will not continue to, fund the Group and Company to enable it to continue in operational existence.

For the purposes of the directors' assessment of the going concern position of the Group and Company, the directors have prepared a Consolidated and Company cash flow forecast for a period of at least twelve months from March 2025 on the basis of the ongoing liquidity of the UK wholesale energy and gas markets, including the cash flow of longer-term strategies and projects. The cash flow forecast takes account of severe but plausible downsides, including reductions in the renewables price curve and in Renewable production's energy production, decreases in energy customer demand, and reductions in the collectability of the energy customers' trade receivables.

The base and downside cash flow forecasts indicate that alongside existing resources and committed facilities, the Group's significant capital investment programme, which now also includes NWEN, means that additional financing is required during the going concern period. As noted above, the directors are confident in the ability and intention of the SPL Group, and the Iberdrola Group, to maintain the required funding level during the going concern assessment period under both the base and downside scenarios, based on the borrowing history to date, the liquidity position of the Iberdrola Group, and the importance of the investment programme to the Iberdrola Group.

The directors acknowledge that there can be no certainty that this funding will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. In the unlikely event of not being able to access all the additional funding as may be required, the Group and Company have a range of options including the deferral of dividends.

SCOTTISH POWER UK PLC

NOTES TO THE ACCOUNTS *continued*

31 December 2024

2 BASIS OF PREPARATION *continued*

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

B IMPACT OF NEW IAS

In preparing these Accounts, the Group and Company have applied all relevant standards and interpretations that have been adopted by the UK as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2024.

For the year ended 31 December 2024, the Group and Company have applied the following amendments to standards for the first time and their application has not had a material impact on the Group's or Company's accounting policies, financial position or performance:

Standard

- Amendments to IFRS 16 'Leases: Lease Liability in a Sale and Leaseback'
- Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as Current or Non-current' and 'Deferral of Effective Date' and 'Non-current Liabilities with Covenants'
- Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures': 'Supplier Finance Arrangements'

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

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability'. Effective from 1 January 2025.
- Amendment to IFRS 9 'Financial Instruments', IFRS 7 'Financial Instruments: Disclosures': 'Amendments to the Classification and Measurement of Financial Instruments' and 'Classification and Measurement of Financial Instruments'. Effective from 1 January 2026.
- IFRS 18 'Presentation and Disclosure in Financial Statements'. Effective from 1 January 2027.
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'. Effective from 1 January 2027.
- IFRS 14 'Regulatory Deferral Accounts'. Endorsement process not launched.
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'. Endorsement process not launched.

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

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

3 JUDGEMENTS AND ESTIMATION UNCERTAINTIES

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

A SIGNIFICANT JUDGEMENTS

(a) Significant judgements made in determining the classification of North West Electricity Networks (Jersey) Limited ("NWEN") as an investment in an associate

Judgement has been applied in determining whether the Group controls, or has significant influence over, NWEN for the period from 22 October 2024 to 31 December 2024.

The directors concluded that the Group did not control NWEN despite its 88% equity ownership as it did not consider that it had the ability to direct NWEN's relevant activities, such as appointing key management, setting budgets and the building, maintenance and funding of the network, whilst the Initial Enforcement Order ("IEO") issued by the Competition and Markets Authority ("CMA") was in place.

The Group successfully obtained derogations from the CMA to appoint non-executive directors independent from, but appointed by the Group, to the board of NWEN to ensure the continuity of stable and effective governance of the business. The Group did not control the board of directors of NWEN. The Group was not able to appoint or remove directors during the IEO period without consent from the CMA. In addition, the Group successfully obtained a derogation whereby certain non-standard acts were subject to certain named individuals with the Group's prior consent. Such non-standard acts included certain deviations from the existing business plan, amendments to contracts of key employees or employment of new staff remunerated over certain levels, acquisition or disposal of assets over certain thresholds, entering into or changing agreements involving expenditure exceeding a set amount, amending or creating borrowings outside of the Group's existing treasury policies. The Group assessed the nature of this derogation to be protective as opposed to substantive.

As outlined above, the derogations obtained from the CMA evidenced the Group's ability to participate, to the extent described above, in the financial and operating policy decisions of NWEN. Therefore, while the IEO was in place, the Group concluded that, from an accounting perspective, while it did not have control over NWEN, it did have significant influence over NWEN, meaning that it represented an associate that was subject to equity accounting.

On 20 March 2025 the CMA cleared the acquisition and the IEO was lifted. Further details are provided in Note 33.

3 JUDGEMENTS AND ESTIMATION UNCERTAINTIES *continued*

B SIGNIFICANT ESTIMATION UNCERTAINTIES

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

The key assumptions underlying the valuation of retirement benefit obligations include the discount rate, inflation rates and mortality. The assumptions adopted are based on scheme experience, market conditions and are set after consultation with qualified actuaries and other specialists within the Iberdrola Group. While these assumptions are believed to be appropriate, a change in these assumptions could materially impact the value of the defined benefit obligation recorded within the next twelve months. Note 9 provides information on the key assumptions used and sensitivity analysis relating to the retirement benefit obligations of the Group and Company.

Similarly, the valuation of the plan assets is subject to estimates and assumptions. In particular for asset classes that are unquoted and are based on estimates. Certain level 3 plan assets are, therefore, subject to significant estimation uncertainty which could materially impact the value of the plan assets recorded within the next twelve months. Further detail is provided in Note 9 E3.2.

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

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

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

Included within the gross carrying amount of trade receivables is £932 million (2023 £897 million) of billed receivables. The loss allowance in relation to billed receivables is £332 million (2023 £287 million). While the methodology and assumptions applied in estimating the ECL for the year ended 31 December 2024 and the provision held at that date in respect of the energy customers' trade receivables are deemed to be appropriate, a change in these assumptions could materially impact the value of ECLs recorded within the next twelve months.

The actual level of billed receivables collected may differ from the estimated levels of recovery, which could impact operating profit positively or negatively. At 31 December 2024, the loss allowance for billed receivables of £332 million was supported by a projection based on a 36-month cash collection performance. Based on the weighted average expected loss rates in the table in Note 12, a 5% increase in the overall expected loss rate would increase the loss allowance by £47 million. A 5% decrease would decrease the loss allowance by £47 million. Given the three-year average movement in the loss allowance percentage and recognising the ongoing risk in customers' ability to pay due to the cost of living crisis, a 5% loss allowance sensitivity is considered appropriate.

(c) Accrued 'unbilled' revenue – Group

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

The estimated value of energy delivered to customers is included within billed revenue (where an estimated reading is included within an issued invoice) and unbilled revenue (where no invoice has been issued). The net unbilled position at 31 December 2024 of £(241) million (2023 £(384) million), relates primarily to energy delivered in the final months of the year. This includes Gross unbilled revenue included within the Statement of financial position at 31 December 2024 of £513 million (2023 £695 million), which contains a £44 million (2023 £54 million) revenue constraint. This is before applying customer credit balances of £728 million (2023 £1,051 million) in relation to customers in arrears after applying unbilled charges and a £26 million (2023 £28 million) provision in respect of ECLs. For further details on ECLs, refer to Note 12.

Had actual consumption been 6% higher or lower than the estimate of units supplied (the average variance based on recent historical analysis), this would have resulted in revenue recognised for unbilled amounts being £49 million higher and lower respectively. The value assigned to this volume sensitivity is based on a weighted average price per unit derived from the billing systems. Approximately 95% of unbilled revenue relates to the most recent quarter where there is a higher level of estimation uncertainty.

(d) Provision for decommissioning costs – Group

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

The value of decommissioning provisions in the Statement of financial position is £285 million (2023 £270 million). The increase in the year is primarily due to the unwinding of the discount and new provisions.

3 JUDGEMENTS AND ESTIMATION UNCERTAINTIES *continued*

The discount rates applied are based on UK treasury bonds with maturities which are similar to the expected decommissioning date. The discount rates utilised in the current year ranged from 4.02% to 5.07%. The inflation rates applied are obtained from the Bank of England's forecasted inflation rates for the UK. The decommissioning costs are expected to be incurred between 2025 and 2067.

Sensitivity analysis reflecting reasonably probable fluctuations to the main assumptions in the calculation of the decommissioning provision has been performed. Had the estimated value of the costs at the reporting date been 10% higher or lower, this would have resulted in the decommissioning provision being approximately £29 million higher and lower respectively. Had the inflation rate applied been 1% higher or lower, this would have resulted in the decommissioning provision being approximately £49 million higher and £41 million lower respectively. Had the discount rate applied been 1% higher or lower, this would have resulted in the decommissioning provision being approximately £41 million lower and £50m higher respectively. Any changes in the carrying value of decommissioning provisions are reflected in the corresponding carrying value of decommissioning assets capitalised within Property, plant and equipment.

C NON-SIGNIFICANT JUDGEMENTS

(a) Consideration of climate change – Group and Company

The impact of climate change, including risks identified in the Strategic Report on page 39, on the financial statements has been considered. No material impact on the judgements and estimates made in the preparation of the financial statements has been identified. This consideration focussed on the following areas:

- Group and Company: the going concern position of the Group and Company, including the cash flows prepared for the directors' assessment referred to in Note 2A3;
- Group: whether the transition plans disclosed on pages 39 to 43 are an impairment indicator and consistent with the useful lives of the certain of the Group's assets included in Notes 6 and 7; and
- Group: the risk that increasing variability in weather patterns could result in lower output from renewable generation assets and that there could be a reduction in wholesale electricity prices (as a result of climate change or other factors) are considered in the impairment sensitivities presented in Note 6(b).

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

4 PRINCIPAL ACCOUNTING POLICIES

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

A GOODWILL – GROUP

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

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

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

When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the expected future cash flows of the relevant Cash Generating Unit ("CGU"), or disposal value if higher. The discount rate applied is based on ScottishPower's weighted average cost of capital with appropriate adjustments for the risks associated with the CGU. The discount rate used reflects lease liabilities under IFRS 16 'Leases' ("IFRS 16"). Estimates of cash flows involve a significant degree of judgement and are consistent with management's plans and forecasts. Refer to Note 6(b) for further details on the impairment testing performed on goodwill.

B OTHER INTANGIBLE ASSETS

(a) Computer software – Group and Company

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

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

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

4 PRINCIPAL ACCOUNTING POLICIES *continued*

(b) Customer contract costs – Group

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

C PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY

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

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

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

D LEASED ASSETS – GROUP AND COMPANY

A contract is, or contains a lease if, at inception, the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and Company use the definition of a lease in IFRS 16.

An identified asset will be specified explicitly, or implicitly, in the contract, and will be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.

A contract conveys the right to control the use of an identified asset if the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and the customer has the right to direct the use of the asset. The customer has this right when they have the decision-making rights that are most relevant to changing how and for what purpose the asset is used. Where this is predetermined, the customer has the right to direct the use of the asset if either they have the right to operate the asset or they designed the asset in a way that predetermines how and for what purposes it will be used.

Neither the Group nor the Company have elected to separate non-lease components and thus accounts for the lease and non-lease components in a contract as a single lease component.

As a lessee, the Group and Company recognise a right-of-use asset at the lease commencement date, measured initially at cost. This comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset, or restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date over the shorter of the useful life of the underlying asset and the lease term. The right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability. Right-of-use assets are presented within Non-current assets in the Statement of financial position and the depreciation charge is recorded within Depreciation, amortisation and provisions in the Income statement.

The lease liability recognised at the commencement date is measured initially at the present value of the lease payments that are not paid at that date. Where the rates implicit in the leases cannot be readily determined, the liabilities are discounted using the incremental borrowing rate of the Group or Company, being the currency-specific interest rate that would be incurred on a loan, with similar terms, to purchase a similar asset. The incremental borrowing rates will be updated annually and applied to leases commencing in the subsequent year. Therefore, the lease liability is measured at amortised cost using the effective interest rate method. Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments); variable lease payments that depend on an index or a rate initially measured using the index or rate at the commencement date; lease payments in an optional renewal period if the Group or Company are reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group or Company are reasonably certain not to do so.

The lease liability is remeasured when there is a change in the future lease payments arising from a change in the index or rate, or if the Group or Company change their assessment of whether it will exercise a purchase, extension or termination option. This change in the lease liability will result in a corresponding adjustment to the carrying amount of the right-of-use asset, or in the Consolidated income statement if the carrying amount of the right-of-use asset is zero.

Lease liabilities are presented separately in the Statement of financial position; the discount on the liabilities unwinds over the term of the lease and is charged to Finance costs in the Income statement.

Neither the Group nor the Company have elected to recognise right-of-use assets and lease liabilities for certain short-term leases that have a lease term of twelve months or less, and leases of intangible assets. The Group and Company recognise any lease payments associated with such leases as an expense on a straight-line basis over the lease term.

4 PRINCIPAL ACCOUNTING POLICIES *continued*

In the Statement of cash flows, the Group includes the payment of lease liabilities and interest paid on lease liabilities within Cash flows from financing activities; variable lease payments which are not dependent on an index or rate are included in Cash flows from operating activities.

E IMPAIRMENT OF INTANGIBLE ASSETS (EXCLUDING GOODWILL), PROPERTY, PLANT AND EQUIPMENT AND LEASED ASSETS – GROUP AND COMPANY

At each reporting date, the Group and Company review the carrying amount of intangible assets, property, plant and equipment and leased assets (where relevant) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (the greater of its value-in-use and its fair value less costs to sell) is estimated in order to determine the extent of the impairment loss (if any). In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, the risks specific to the asset and lease liabilities under IFRS 16.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the Group or Company estimate the recoverable amount of the CGU to which the asset belongs. Any impairment is recognised in the Income statement in the period in which it is identified. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, net of depreciation or amortisation, if no impairment loss had been recognised.

F RETIREMENT BENEFITS – GROUP AND COMPANY

The Group provides pensions through two defined benefit schemes and one defined contribution retirement benefit scheme in the UK. The Company recognises the respective pension scheme assets and obligations in its Statement of financial position for the schemes for which it is the sponsoring employer as there is no appropriate contractual agreement or Group policy to allocate the assets and obligations on a legal entity basis.

The cost of providing benefits under the defined benefit schemes is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Remeasurements of the net defined benefit asset/liability are recognised, directly in Retained earnings, in the period in which they occur, and are shown in the Statement of comprehensive income. The current service cost element of the pension charge is recognised within Staff costs in the Income statement. Net interest on the net defined benefit liability or asset is included within Finance costs and Finance income, respectively, in the Income statement. The retirement benefits asset and liability recognised in the Consolidated and Company statement of financial position represent the surpluses and deficits, respectively, in ScottishPower's defined benefit pension schemes.

Payments to the defined contribution scheme are charged as an expense as they fall due.

Key sources of estimation uncertainty in respect of retirement benefit obligations are disclosed in Note 3.

G INVESTMENTS IN SUBSIDIARIES – COMPANY

The Company's investments in subsidiaries are stated in the Company statement of financial position at cost, or the fair value of shares issued as consideration where applicable. Dividends from subsidiaries are recognised when the right to receive the dividend is established.

Investments in subsidiaries are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by continuing to hold the asset and benefiting from the net present value of the future cash flows (value-in-use) of the investment.

H FINANCIAL INSTRUMENTS – GROUP AND COMPANY

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

H1 FINANCIAL ASSETS

H1.1 CLASSIFICATION

Financial assets are classified as being measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets depends on the Group's business model for managing them to generate cash flows.

The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The business model of the Group and Company do not depend on the intentions of management for an individual instrument. Therefore, it is not an instrument-by-instrument classification approach but determined from a higher level of aggregation.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the 'SPPI' test.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI test) on the principal amount outstanding.

All remaining financial assets (including equity instruments and other investments) that are not included within the above categories, are classified as FVTPL.

Financial assets are only subsequently reclassified when the Group or Company changes its business model for managing them. Reclassifications are effective from the first day of the first reporting period following the change in business model. Such reclassifications are expected to be infrequent.

On demand loans receivable are classified as non-current in the Statement of financial position unless the Group or Company expects to realise the assets within twelve months after the reporting date, in which case the loans are classified as current.

4 PRINCIPAL ACCOUNTING POLICIES *continued*

H1.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

All financial assets, except for trade receivables which are initially recognised when they originate, are initially recognised when the Group or Company become party to the contractual provisions of the instrument.

Subject to two exceptions, financial assets are initially measured at fair value. The two exceptions are trade receivables without a significant financing component which are measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15"), and financial assets not classified as FVTPL which are measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(b) Subsequent measurement and gains and losses

Financial assets classified as amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by ECLs. Interest income, foreign exchange gains and losses, and net credit losses are recognised in the Income statement. Any gain or loss on derecognition is also recognised in the Income statement.

Financial assets classified as FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the Income statement unless the financial asset is a derivative which is part of a hedging relationship (refer to Note 4H3). It may not be possible to obtain a market valuation for some unquoted investments, therefore they are valued at cost and assessed for impairment.

Financial assets classified as FVOCI are subsequently measured at fair value. Net gains and losses are recognised within Other comprehensive income.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when either the rights to receive cash flows from the asset have expired; there is no reasonable expectation of recovering all, or a portion of, the contractual cash flows; or in certain circumstances where the Group has transferred its rights to receive cash flows from the asset, or has entered a 'pass-through' arrangement obligating the Group or Company to pay the received cash flows in full without material delay to a third party. Under the last scenario, the Group evaluates if, and to what extent, it has retained the risks and rewards of ownership and derecognises the financial asset where these have been transferred. If substantially all the risks and rewards of ownership have neither been transferred nor retained, the Group assesses whether it controls the asset. Where the Group does not retain control, the asset is derecognised and separate assets and liabilities are recognised to reflect the effect of the transfer.

(d) Impairment of financial assets

(i) Measurement of ECLs

Disclosures relating to impairment of financial assets are provided in Note 12. The Group recognises an allowance for ECLs for all debt instruments not classified as FVTPL. ECLs are a probability-weighted estimate of credit losses. The Group has adopted the simplified ECL model for its trade receivables and the general ECL model for all other financial assets measured at amortised cost.

In applying the simplified model, loss allowances for trade receivables are measured at an amount equal to lifetime ECL. The Group has segmented its trade receivables between those relating to energy customer debt and those within the rest of the Group. For each grouping, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for, where possible, forward-looking factors specific to the debtors and the economic environment in which they operate (refer to Note 12(b)).

For energy customer debt, ECLs are calculated based upon a provision matrix approach that reflects the risk inherent in different payment plans, the differences in collection rates between debt attributable to current or lost (final) customers and the greater challenge in collecting older debt balances. For I&C customers, the ECL is based on external credit scoring. The Energy Customer Credit Risk and Corporate Risk teams remain vigilant in tracking any liquidity issues on existing customers to identify any pre-emptive actions required, including putting collateral or letters of credit in place. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and those the Group expects to receive).

ECLs for all other financial assets are recognised using the general model which works as follows:

- for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses resulting from default events that are considered possible within the shorter of the next twelve months and the life of the financial asset (a twelve month ECL); and
- for credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

As an exception to the general model, if the credit risk of a financial instrument is low at the reporting date, management can measure impairment using a twelve-month ECL and so it does not have to assess whether a significant increase in credit risk has occurred. For this operational simplification to apply, the financial instrument has to meet the following requirements:

- it has a low risk of default;
- the borrower is considered, in the short-term, to have a strong capacity to meet its obligations; and
- the lender expects, in the longer-term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.

The Group considers financial assets to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment-grade'. The Group considers this to be BBB- or higher per rating agency S&P Global Ratings. Therefore, all of the Group's other financial assets are considered to have low credit risk at both the beginning and end of the reporting period.

The Group has different definitions of default (risk of non payment) for different groups of customers and receivables. For some groups it is based upon the number of days past due and for others it is when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amount in full (before taking into account any credit enhancements held by the Group). These varying definitions of default are inherent in the loss allowances applied in both the simplified and general ECL models.

4 PRINCIPAL ACCOUNTING POLICIES *continued*

(ii) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are 'credit-impaired'. This is the case when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Generally, receivables are credit-impaired when payment is past the contractual payment date.

H2 FINANCIAL LIABILITIES

H2.1 CLASSIFICATION

Financial liabilities are classified as measured at FVTPL or amortised cost. A financial liability is classified as FVTPL if it is classified as held-for-trading, a derivative, or otherwise designated as such on initial recognition.

H2.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(b) Subsequent measurement and gains and losses

Financial liabilities classified as FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the Income statement.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Income statement. Any gain or loss on derecognition is also recognised in the Income statement. This is the category most relevant to the Group as it includes interest-bearing loans and borrowings, and trade and other payables.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees, or costs that are an integral part of the effective interest rate. The effective interest charge is included as Finance costs in the Income statement. This subsequent measurement technique does not apply where the loan or borrowing is a hedged item in an effective fair value hedging relationship (refer to Note 4H3.4).

(c) Derecognition

The Group and Company derecognise a financial liability when the obligation under that liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability recognised. The difference in their respective carrying amounts is recognised in the Income statement.

H2.3 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group and Company offset a financial asset and a financial liability, and reports the net amount, only when there is a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

H3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

H3.1 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments, such as forward foreign currency contracts, inflation rate swaps and forward commodity contracts, to hedge its foreign currency, interest rate, inflation and commodity price risks. Derivatives are carried as financial assets and financial liabilities when their fair values are positive and negative respectively.

The gain or loss on remeasurement to fair value is recognised immediately in the Income statement unless the derivative is subject to hedge accounting. Where the derivative is subject to hedge accounting, the recognition of any gain or loss depends on the nature of hedge accounting applied (refer to Notes 4H3.3 and 4H3.4).

At the inception of a hedge relationship, the Group formally designates and documents the relationship to which it wishes to apply hedge accounting, the risk management objective, and the strategy for undertaking the hedge.

The hedge documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including details of sources of hedge ineffectiveness and how the hedge ratio is determined). A relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the relationship is the same as that resulting from the quantity of the hedged item and the quantity of the hedging instrument that the Group uses to hedge that quantity of the hedged item.

In circumstances where the Group seeks to hedge a risk which is a component part of an underlying transaction, the risk component of that transaction is considered to be the hedged item where it is separately identifiable and can be reliably measured.

The accounting for cash flow and fair value hedges is set out at Notes 4H3.3 and 4H3.4 respectively.

In the Statement of cash flows, the Group includes cash flows arising from hedging instruments as arising from the same category of activity as cash flows arising from the hedged item.

4 PRINCIPAL ACCOUNTING POLICIES *continued*

H3.2 EMBEDDED DERIVATIVES

When the Group becomes party to a host contract which is not classified as FVTPL and contains an embedded derivative then the Group carries out an assessment to determine whether the embedded derivative requires to be separated from the host contract and accounted for as a derivative.

An embedded derivative will be separated where:

- a stand-alone financial instrument on the same terms would be classified as a derivative; and
- the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract.

An embedded derivative would only ever be reassessed where a change to the contract significantly modifies the cash flows due under the contract.

H3.3 CASH FLOW HEDGES

The Group designates only the spot element of treasury-related forward foreign currency contracts (hedging the value of currency denominated intercompany loans) as a hedging instrument. The forward element is recognised in Other comprehensive income and accumulated as a separate component of the hedge reserve under the Cost of hedging reserve. For almost all other forward foreign currency contracts, the Group designates all of the forward contract (both the spot and forward elements) as the hedging instrument.

The portion of gain or loss of the hedging instrument determined to be an effective hedge is recognised in Other comprehensive income and forms part of the hedge reserve. The ineffective portion of the change in fair value of the hedging instruments is recognised in the Income statement within Procurements for hedges of underlying operations. For hedges of financing activities, any ineffectiveness is recognised within Finance income or Finance costs, as appropriate, in the Income statement. If the cash flow hedge relates to an underlying transaction which results in the recognition of a non-financial asset, the associated gains or losses on the derivative (previously recognised in equity) are recognised in the initial measurement of the asset arising from the hedged transaction. For hedges that relate to an underlying transaction which results in recognition of a financial asset or a liability, amounts deferred in equity are recognised in the Income statement in the same period in which the hedged item affects it.

In the case of cash flow hedging, any gain or loss that has been recognised in equity remains there until the forecast transaction occurs. If the transaction is no longer expected to occur, the gain or loss previously deferred in equity is recognised in the Income statement. The Group discontinues hedge accounting when the hedge instrument expires or is sold, terminated or exercised, or when the hedge relationship no longer qualifies for hedge accounting.

H3.4 FAIR VALUE HEDGES

The gain or loss from remeasuring the hedging instrument at fair value is recognised directly in the Income statement in the same location as the gain or loss from remeasuring the hedged item. The gain or loss on the hedged item adjusts its carrying amount (when the item would otherwise have been measured at amortised cost) and is recognised in the Income statement. The Group commences amortisation of any such adjustments to the carrying amount of the hedged item when the hedging relationship ends.

On the discontinuance of hedge accounting, any adjustment made to the carrying amount of the hedged item as a consequence of the fair value hedge relationship, is recognised in the Income statement over its remaining life. The line item Current other financial liabilities includes collateral held by the Group which mitigates the credit risk from specific derivative assets which have been entered into by the Group to hedge specific loans and borrowings. As a financial liability, it is accounted for in accordance with the policies described in Note 4H2 and Note 4H5.

H4 FAIR VALUATION OF FINANCIAL INSTRUMENTS

In those circumstances where IFRS 9 requires financial instruments to be recognised in the Statement of financial position at fair value, the Group's valuation strategies for derivative and other financial instruments utilise, as far as possible, quoted prices in an active trading market.

In the absence of quoted prices for identical or similar assets or liabilities, it is sometimes necessary to apply valuation techniques where contracts are marked using approved models. Models are used for developing both the forward curves and the valuation metrics of the instruments themselves where they are complex combinations of standard and non-standard products. All models are subject to rigorous testing prior to being approved for valuation, and subsequent continuous testing and approval procedures are designed to ensure the validity and accuracy of the model assumptions and inputs.

Where derivatives are not collateralised, their valuation reflects the Group's credit risk in the case of liabilities, and the counterparty's credit risk in the case of assets. All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy, the details of which are disclosed in Note 11(b).

H5 COLLATERAL

Collateral agreements are utilised to facilitate derivative trading and generally to mitigate credit risk and manage credit exposures on both external contracts and contracts with counterparties within the Iberdrola Group. The terms and conditions of these agreements vary according to the counterparty and the associated transactions. Collateral posted and collateral held are recognised as financial assets and financial liabilities respectively and are accounted for in accordance with the policies described in Note 4H1 and Note 4H2.

Collateral posted is included within Trade and other receivables.

Collateral held is included within Trade and other payables with the exception of collateral held for the purpose of mitigating the credit risk from specific derivative assets entered into for the purpose of hedging specific loans and borrowings which is included within Current other financial liabilities.

4 PRINCIPAL ACCOUNTING POLICIES *continued*

I INVENTORIES (EXCLUDING ROCs) – GROUP

Inventories held comprise primarily offshore transmission assets and fuel stock. As a legislative requirement, the Group is not permitted to own and operate the offshore transmission assets which it constructs alongside its offshore wind farms. For the more advanced offshore transmission asset projects, the asset delivery model selected requires the Group to sell the assets to a third party operator following their completion and an initial allowed operational period. Therefore, such transmission assets are being built with a view to sale and not operating them as capital assets over future periods. The costs incurred are recorded as inventory and released through Procurements when sold. The sale of offshore transmission assets are infrequent but a periodic recurring activity, with a construction cycle spanning multiple financial periods.

Inventories are valued at the lower of cost and net realisable value. Cost includes all directly attributable costs incurred in bringing the inventories to their present location and condition. When sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

J ROCs – GROUP

The Group participates in the Renewables Obligation scheme administered by Ofgem. As there are no specific rules under IAS dealing with their treatment, the Group classifies ROCs as inventories because they are a direct input cost to the process of supplying customers. ROCs are recognised at their acquisition cost and charged to the Consolidated income statement as the obligations arise.

The Group recognises liabilities in respect of its obligations to deliver ROCs at the value at which they were initially recorded on the Consolidated statement of financial position. Any estimated shortfall in the liability is calculated based on the relevant buyout price at the reporting date. ROCs surrendered to meet the Renewables Obligation utilises the related provision and is a non-cash movement.

K DECOMMISSIONING COSTS – GROUP AND COMPANY

Provision is made, on a discounted basis, for the estimated decommissioning costs of certain non-current assets. Capitalised decommissioning costs are depreciated over the useful lives of the related assets. The unwinding of the discount is included within Finance costs in the Income statement. The discount rate used for each provision is based on UK treasury bonds with maturities which are similar to the expected decommissioning date. The future estimated costs are based on the value of the costs at the reporting date, uplifted for inflation to the end of the useful economic life of the underlying asset, then discounted.

L REVENUE – GROUP

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods and services.

(a) Electricity distribution

The Group provides the service of making its distribution network available to customers. This performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of the Group's performance as it makes the distribution network available. The Group has a right to consideration in an amount that corresponds directly with the value to the customer of the Group's performance to date. Therefore, revenue is recognised in the amount to which the Group has a right to invoice based on the amount of allowed revenue for the year set by the regulatory price control. As allowed revenues are set in advance, some of the underlying components are forecast which will be trued up in future periods based on actual performance (such as incentives). Any over or under recoveries resulting from these changes will be reflected in the calculation of the subsequent years' allowed revenues as set out in the regulatory framework. No accounting adjustments are therefore made for over or under recoveries in the year that they arise as they are contingent on future events (being the distribution of electricity in a future period). Due to the nature of the electricity settlements industry process, revenue includes unbilled income recognised as a receivable relating to units transferred over the network but not yet invoiced at the end of the year. Invoices are raised one month in arrears and are typically settled within one month.

(b) Electricity transmission

The Group provides the service of making its transmission network available to the GB system operator. This performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of the Group's performance as it makes the transmission network available. Revenue is recognised in an amount to which the Group has a right to invoice based on the amount of allowed revenue for the year, and recognised over time based on the billable volumes and the rate agreed in the regulatory price control. As allowed revenues are set in advance, some of the underlying components are forecast which will be trued up in future periods based on actual performance (such as incentives). Any over or under recoveries resulting from these changes will be reflected in the calculation of the subsequent years' allowed revenues as set out in the regulatory framework. No accounting adjustments are therefore made for over or under recoveries in the year that they arise as they are contingent on future events (being the transmission of electricity in a future period). Invoices are typically raised and settled on a monthly basis and, therefore, there are no related IFRS 15 receivables, contract assets or contract liabilities at the end of the year.

(c) Transfers of assets from customers

Pursuant to the applicable industry regulations, the Group receives contributions from its customers for the construction of grid connection facilities, or is assigned assets used to connect those customers to a network. Both the cash and the fair value of the facilities received are credited to Deferred income in the Consolidated statement of financial position (this is a contract liability). Revenue is subsequently recognised in line with the period over which the facilities are depreciated. As the cash contributions received from customers relate to underlying business activities, they are recorded as Cash flows from operating activities in the Consolidated statement of cash flows.

(d) Supply of electricity and gas

The Group's performance obligations are the supply of electricity and/or gas to customers. Both these performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefits of the Group's performance as it supplies electricity and gas. The Group has a right to consideration in an amount that corresponds directly with the value to the customer of the Group's performance to date. Therefore, in line with IFRS 15, revenue is recognised in the amount to which the Group has a right to invoice based on the volume of units supplied during the year and the tariff agreed with the customer.

4 PRINCIPAL ACCOUNTING POLICIES *continued*

The Group participated in various government support schemes designed to support energy customers in GB through the current cost of living crisis. The EPG scheme (which commenced on 1 October 2022 and ran until 31 March 2024) required suppliers to charge a reduced tariff to domestic customers where their contractual tariff exceeded a government-set rate. The Energy Bill Relief Scheme ("EBRS") scheme also commenced on 1 October 2022 but ended on 31 March 2023 and was replaced by the similar EBDS scheme which commenced on 1 April 2023 and ran until 31 March 2024. These later schemes required suppliers to apply a capped discount to the bills of non-domestic customers where their contractual rate exceeded the government-set rate. Therefore, the revenue recognised for the duration of these schemes was in line with IFRS 15 and based on the volume of units supplied to customers and the reduced or discounted tariff as determined by the scheme rules.

The Group operates in the GB energy industry, whose nature is such that revenue recognition is subject to a degree of estimation. Revenue includes an estimate of the units supplied to customers between the date of their last meter reading and the year end. This is included as unbilled revenue within Trade and other receivables and where DD customer accounts are in a net credit balance, is included in Other payables within Trade and other payables. This estimate is based on external data supplied by the electricity and gas market settlement process and internal data relating to energy purchases where settlement data is not yet available. Where volumes are yet to reach final settlement, the unbilled revenue is constrained such that revenue is recognised only to the extent that it is highly probable that a significant reversal will not occur, taking into account the current unbilled position, historical trends, and any other known factors. The value assigned to these estimated volumes is based on a weighted average price per unit derived from the billing systems. This methodology is consistent with prior years.

Invoices are generally raised at monthly or quarterly intervals, which customers typically settle on the same basis respectively, except for prepayment customers who pay in advance. Billed and unbilled revenues are recorded in receivables. Amounts in contract liabilities consist of DD customer payments that are in excess of the associated units of energy delivered, and final customer credits.

Government support has been received by the Group to fund the EPG, EBRS and EBDS schemes. Government grants are assistance by government in the form of transfers of resources in return for past or future compliance with certain conditions relating to the operating activities of the entity. Such grants are recognised in the Consolidated income statement on a systematic basis over the periods in which the costs for which the grants are intended to compensate are expensed; where the income receivable is compensation for expenses or losses already incurred, the grant income is recognised in the Consolidated income statement in the period in which it becomes receivable. All three schemes were considered to be a government grant with the income received being recognised in line with the energy consumption by each eligible customer throughout the scheme periods. The income recognised in line with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' ("IAS 20") was recorded in Revenue – Revenue received from government support schemes in the Consolidated income statement as the funding was support for lost customer revenue. There is no difference in the timing of the recognition of this revenue under IAS 20 compared to under IFRS 15 had the schemes not been in place. As the grant funding has been paid in arrears, the amounts due from the UK Government have been accrued within Other receivables – Receivables in respect of government support schemes on the Statement of financial position until paid.

(e) Contracts for Difference

CfDs are contracts with the Low Carbon Contracts Company which provide security in respect of revenues generated from electricity produced and sold by the Group through compensation based on the difference between the strike price and the market price, for an agreed period. If the market reference price is lower than the agreed strike price, the generator will receive an additional payment. If the reference price is higher than the strike price, the generator will be liable for the difference.

CfDs are assessed at their inception. For contracts where the market price is expected to be lower than strike price over the term of the agreement, the Group is considered to be in receipt of government assistance. Therefore, such CfDs are accounted for as revenue grants and are recognised as income on a systematic basis over the period in which they become receivable, which is at the point of generation. The Group is considered to be a net receiver for all of its CfDs resulting from their assessment at inception.

(f) Other revenues

Other revenues, comprises various revenue streams which are all individually immaterial, including revenues in relation to Customer business and ancillary services contracts for Renewable production. For each revenue stream, revenue is recognised based on the consideration specified in the relevant contract with the customers, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in the future. As relevant for each revenue stream, and in line with the performance obligations in each contract, the Group recognises revenue either at a specific point in time or over a period of time based on when control is transferred to the customer.

M PROCUREMENTS – GROUP

Procurement costs in Energy Networks principally comprise use of system charges from the system operator. In Renewable production, such costs are primarily direct costs and services for the use of the energy network, in addition to the carrying amount of inventories sold in the period in which the related revenue is recognised. Procurements within Customer business are principally the cost of electricity and gas purchased in relation to energy supply, and related direct costs and services for the use of the energy network. Costs are recorded on an accruals basis.

N OTHER OPERATING RESULTS – GROUP

Other operating results is principally comprised of recharges, primarily in relation to Energy Networks' unregulated income, recharges of external costs in Customer business and Renewable production activity recharged to other Iberdrola Group companies. The line item also includes compensation and rebates received, lease income, and gains/losses on disposal of non-current assets including results from the loss of control of consolidated interests. There are no individually material items included within Other operating results in either the current or prior year.

O FOREIGN CURRENCIES – GROUP

Transactions in foreign currencies are translated at the spot rate at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date, with exchange gains and losses recognised in Finance income and costs.

4 PRINCIPAL ACCOUNTING POLICIES *continued*

P TAXATION – GROUP AND COMPANY

Assets and liabilities for current tax are calculated using the tax rates that have been enacted, or substantively enacted, at the reporting date.

Deferred tax is the tax expected to be payable, or recoverable, on the difference between the carrying amounts of assets and liabilities in the Statement of financial position and the corresponding tax bases used in the computation of taxable profits (temporary differences), and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses or credits can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the period in which the liability is expected to be settled, or the asset realised, based on tax rates and laws enacted, or substantively enacted, at the reporting date. Deferred tax is charged to the Income statement, except where it relates to items charged or credited to equity (via the Statement of comprehensive income), in which case the deferred tax is also recognised in equity and is shown in the Statement of comprehensive income. The Group and Company offset deferred tax assets and liabilities, and reports the net amount, only when there is a legally enforceable right to set off the amounts, and the offset deferred tax assets and liabilities relate to taxes levied by the same taxation authority on the same taxable company.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or shown in the Statement of comprehensive income. For income tax arising on dividends, the related tax is recognised in the Income statement, Statement of other comprehensive income, or in equity consistently with the transactions that generated the distributable profits.

Q GOVERNMENT SUPPORT SCHEMES – ENERGY BILLS SUPPORT SCHEME AND ALTERNATIVE FUEL PAYMENT SCHEMES – GROUP

The Group participated in the EBSS and Alternative Fuel Payment (“AFP”) schemes which were designed to support energy customers in GB through the cost of living crisis, running alongside the EPG, EBRs and EBDs schemes discussed at Note 4L(d) above. The EBSS was effective from 25 September 2022 until 30 June 2023 and required suppliers to provide £400 to domestic electricity customers between October 2022 and March 2023. The Domestic AFP scheme, which was effective from 25 January 2023 and ran for one year, required suppliers to provide £200 to domestic users of alternative fuels who they had a contractual relationship with. The equivalent AFP scheme for non-domestic users of alternative fuels was effective from 8 February 2023 and ran for one year and required suppliers to provide a payment of £150. The Group generally received funding from the UK Government in advance of the payments being made to customers. The funds were recorded as Other payables – Payables in respect of government support schemes until the customer payments were made. Income was recognised as Revenue – Revenue received from government support schemes in the Consolidated income statement upon making the customer payment. In line with IFRS 15, the consideration payable to the customer was recorded as a reduction to Revenue. Where customer payments were made in advance of the government funding being received, the costs were recorded as prepaid scheme obligation costs. The Group was restricted in how it could use the cash received from the UK Government and held a ring-fenced bank account in relation to the EBSS. The restrictions did not change the nature of the assets, only the purpose for which they could be used, thus the funds were considered as a component of Cash equivalents.

R CASH AND CASH EQUIVALENTS – GROUP

Cash and short-term deposits in the Consolidated statement of financial position comprise cash on hand, and term deposits which are readily convertible into a known amount of cash without significant risk of changes in value and have a maturity of less than 90 days at the date of acquisition. In the Consolidated statement of cash flows, Cash and cash equivalents include bank overdrafts repayable on demand the next business day. The restrictions on the cash held in ring-fenced bank accounts in relation to regulatory projects (and previously EBSS) do not change the nature of the assets, only the purpose for which they can be used, thus are considered as a component of Cash and cash equivalents.

S SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES – GROUP

For details of how the Group accounts for its subsidiaries, joint arrangements and associates, refer to Note 2A1.

5 BUSINESS SEGMENT REPORTING – GROUP

(a) Operating segments

The Group defines its operating segments based on a combination of factors, principally differences in products and services, and the regulatory environment in which each business operates. The Group is organised into three reportable segments; Energy Networks, Renewable production and Customer business. The Group identifies SPT, SPD and SPM as individual operating segments, but as management deem these operating segments to exhibit similar economic characteristics, they have been aggregated (together with other Energy Networks entities) into a single reported segment, Energy Networks. In line with IFRS 8 ‘Operating Segments’, the Group reports its segments on this basis and the measure of profit used for the purpose of reporting to the Chief Operating Decision Maker (“CODM”) is operating profit as per the Consolidated income statement. The CODM for the Group are the CEO and chair of the board of directors of the Head of Business companies, being the SPENH, SPREL and SPRH boards. All revenue for the reported segments arise from operations within the UK and Republic of Ireland. Revenue arising from operations within the Republic of Ireland is not deemed material enough to disclose as a separate operating segment.

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NOTES TO THE ACCOUNTS *continued*
31 December 2024

5 BUSINESS SEGMENT REPORTING – GROUP *continued*

During the year ended 31 December 2024, the Group's reported segments were as follows:

Reported segment	Reported segment description
Energy Networks	The transmission and distribution business within the Group.
Renewable production	The origination, development, construction and operation of renewable energy generation plants, principally onshore and offshore wind, with a growing presence in battery storage and solar.
Customer business	The supply of electricity and gas to domestic and business customers, together with customer registration, billing and handling enquiries in respect of these services, the associated metering activity, the smart meter installation programme, and managing the Group's smart solutions activities. The division also manages the Group's exposure to the UK wholesale electricity and gas markets, the optimisation of gas storage, and the development of green hydrogen opportunities.

(b) Revenue by reported segment

Refer to Note 21(a) for a disaggregation of external revenue.

Reported segment	2024			2023		
	External revenue £m	Inter-segment revenue* £m	Revenue reported to the CODM £m	External revenue £m	Inter-segment revenue* £m	Revenue reported to the CODM £m
Energy Networks	1,564	149	1,713	1,438	153	1,591
Renewable production	251	1,233	1,484	284	1,026	1,310
Customer business	4,768	19	4,787	7,732	25	7,757
Elimination of inter-segment revenue			(1,401)			(1,204)
			6,583			9,454

* Inter-segment revenue relating to Energy Networks is predominantly subject to regulation and is based on published tariffs set by Ofgem. Renewable production inter-segment revenue primarily consists of the sale of electricity and ROCs from wind farms. Customer business inter-segment revenue largely consists of the supply of electricity and gas.

(c) Operating profit/(loss) by reported segment

Reported segment	Operating profit/(loss) reported to the CODM 2024 £m	Operating profit/(loss) reported to the CODM 2023 £m
Energy Networks	924	718
Renewable production	708	633
Customer business	252	561
Unallocated	21	–
Total	1,905	1,912

(d) Other financial data by reported segment

Other items by reported segment for the year ended 31 December 2024	Acquisition of property, plant and equipment and intangible assets reported to the CODM £m	Acquisition of right-of-use assets reported to the CODM £m	Depreciation, amortisation and impairment reported to the CODM £m	Net expected credit loss on trade and other receivables reported to the CODM £m
Energy Networks	1,259	14	326	1
Renewable production	789	–	299	1
Customer business	168	–	118	107
Unallocated	36	–	33	–
Total	2,252	14	776	109

Other items by reported segment for the year ended 31 December 2023	Acquisition of property, plant and equipment and intangible assets reported to the CODM £m	Acquisition of right-of-use assets reported to the CODM £m	Depreciation, amortisation and impairment reported to the CODM £m	Net expected credit loss on trade and other receivables reported to the CODM £m
Energy Networks	929	4	368	(1)
Renewable production	755	62	285	–
Customer business	135	–	128	207
Unallocated	25	–	29	–
Total	1,844	66	810	206

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31 December 2024

6 INTANGIBLE ASSETS – GROUP AND COMPANY

(a) Movements in intangible assets – Group

	Note	Goodwill (Note (b)) £m	Computer software £m	Licences £m	Customer contract costs £m	Total £m
Cost:						
At 1 January 2023		365	542	9	214	1,130
Additions	(i)	–	91	–	21	112
Disposals		–	(4)	–	(86)	(90)
At 31 December 2023 and 1 January 2024		365	629	9	149	1,152
Additions	(i)	–	99	–	59	158
Disposals		–	(198)	–	(63)	(261)
At 31 December 2024		365	530	9	145	1,049
Amortisation:						
At 1 January 2023		–	472	5	125	602
Amortisation for the year		–	43	–	54	97
Disposals		–	(5)	–	(86)	(91)
At 31 December 2023 and 1 January 2024		–	510	5	93	608
Amortisation for the year		–	50	–	43	93
Disposals		–	(191)	–	(63)	(254)
At 31 December 2024		–	369	5	73	447
Net book value:						
At 31 December 2024		365	161	4	72	602
At 31 December 2023		365	119	4	56	544
At 1 January 2023		365	70	4	89	528

(i) Included within computer software additions is £4 million (2023 £2 million) from internal development.

(ii) The cost of fully amortised computer software still in use at 31 December 2024 was £277 million (2023 £435 million).

(b) Impairment test for goodwill – Group

The carrying amount of goodwill for Renewable production at 31 December 2024 was £365 million (2023 £365 million). On 1 January 2012, as part of an Iberdrola Group restructuring exercise, the Group acquired certain renewable energy companies from another Iberdrola Group company. The transaction was deemed to be a business combination under common control and was accounted for under the pooling of interest method. The goodwill was created on the original acquisition by Iberdrola.

The recoverable amount for Renewable production has been determined based on a value-in-use calculation. The calculation uses cash flow projections which reflect past experience, and which are based upon a management approved business plan that runs to 2035. Cash flows beyond that period reflect asset estimated useful lives as well as management's forward view of prices and the business strategic objectives. It is considered appropriate to assess the cash flows over a period longer than five years as this better reflects the long-term nature of energy market operations and governance, and of wind farm development lead times. Renewable production is integral to the ScottishPower strategy to support the UK transition to net zero.

The value-in-use calculation is based on anticipated generation output over the expected lives of individual sites.

Cash inflows for all projects are based on anticipated generation output using historical trend information as well as internal technical assessment. The output is valued at forward power prices based on: observable market information where available; assumed continuing government support through ROCs, CfDs and other mechanisms; and is derived from an internal long-term price forecast which is benchmarked against external forecasts. Cash outflows are based on planned operating and capital expenditure and include the Electricity Generator Levy.

The main assumptions and basis for determining values assigned to the key assumptions are detailed below:

Main assumptions used for value-in-use calculations

Discount rate (pre-tax): onshore 6.74% (2023 6.48%); and offshore operational 7.16% (2023 6.92%) and offshore development 7.57% (2023 7.35%)

Forward price of power

Energy output

Inflation rate

Basis for determining values assigned to key assumptions

Discount rate is determined on the basis of market data and the divisional cost of capital and has increased in the year due to a rise in the risk free rate.

Market quotes/internal and external forecasts

Theoretical maximum output less adjustments based on historical data (wind variability, outages and availability)

Inflation is applied to key assumptions including operating costs, ROC buyout and CfD prices. Rates are based on macro-economic forecasts which predict inflation falling to the Bank of England target rate of 2.0% in 2026.

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NOTES TO THE ACCOUNTS *continued*
31 December 2024

6 INTANGIBLE ASSETS – GROUP AND COMPANY *continued*

The value-in-use calculation of Renewable production exceeds the carrying amount.

The Group has also performed several sensitivity analyses of the impairment test result in relation to the key assumptions to which the value-in-use calculation is most sensitive. These tests included:

- a 100 basis point increase in the pre-tax discount rate. This is the equivalent of a 1% change in the risk-free interest rate which is considered a reasonably possible variation;
- a 10% movement in the power price per MWh, only applicable to production for which no long-term sales agreements have been entered into. This is considered a reasonably possible variation; and
- a 5% decline in energy output (considered reasonable to assess risk from unpredicted plant availability or weather issues).

After applying each sensitivity, there was significant headroom between the value-in-use calculations and the underlying book value of the assets.

As noted above, impairment cash flows utilise market-based views of commodity price forecasts, therefore incorporating current market expectations of how net zero targets will be achieved based on existing government legislation. However, estimates are not yet fully reflective of net zero scenarios as they do not factor in any prospective, yet to be announced, legislative or market changes that would be required to meet temperature targets. Hence impairment cash flows are not based on net zero scenario forward prices.

Refer to Note 3 for further details of the Group's consideration of the impact of climate change on the cash flows used in the impairment tests.

(c) Movements in intangible assets – Company

Year ended 31 December 2024	Note	Computer software £m
Cost:		
At 1 January 2024	(i)	142
Additions		24
At 31 December 2024		166
Amortisation:		
At 1 January 2024		111
Amortisation for the year		16
At 31 December 2024		127
Net book value:		
At 31 December 2024		39
At 1 January 2024		31

(i) Included within computer software additions is £1 million (2023 £1 million) from internal development.

(ii) The cost of fully amortised computer software still in use at 31 December 2024 was £99 million (2023 £87 million).

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NOTES TO THE ACCOUNTS *continued*
31 December 2024

7 PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY

(a) Movements in Property, plant and equipment – Group

7 PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY								Property, plant and equipment in use				Property, plant and equipment in course of construction			
(a) Movements in Property, plant and equipment – Group															
	Notes	Wind power plants £m	Transmission facilities £m	Distribution facilities £m	Meters and measuring devices £m	Other facilities £m	Other items of property, plant and equipment in use (Note (ii)) £m	Total £m	Plant in the course of construction £m	Other items of property, plant and equipment in the course of construction £m	Total £m	Total property, plant and equipment £m			
Cost:															
At 1 January 2023		5,932	3,757	8,992	585	371	302	19,939	1,290	27	1,317	21,256			
Additions	(ii)	1	–	11	62	5	15	94	1,615	23	1,638	1,732			
Reassessment decommissioning asset		2	(2)	–	–	–	–	–	–	–	–	–			
Transfers from inventories	(iii)	–	–	–	–	–	–	–	34	32	66	66			
Transfers from plant in the course of construction to plant in use		21	149	512	21	1	–	704	(654)	(50)	(704)	–			
Disposals		(26)	(16)	(41)	(76)	(1)	(18)	(178)	–	(2)	(2)	(180)			
Impairment	(iv)	–	–	–	–	–	–	–	(14)	–	(14)	(14)			
At 31 December 2023 and 1 January 2024		5,930	3,888	9,474	592	376	299	20,559	2,271	30	2,301	22,860			
Additions	(ii)	1	–	7	58	4	36	106	1,969	16	1,985	2,091			
Reassessment decommissioning asset		5	(2)	–	–	–	–	3	–	–	–	3			
Transfers from inventories	(iii)	–	–	–	–	–	–	–	51	43	94	94			
Transfers from plant in the course of construction to plant in use		27	164	513	18	7	–	729	(672)	(57)	(729)	–			
Disposals		(3)	(5)	(28)	(15)	(2)	(6)	(59)	(4)	(1)	(5)	(64)			
Impairment	(iv)	–	–	–	–	–	–	–	(22)	–	(22)	(22)			
At 31 December 2024		5,960	4,045	9,966	653	385	329	21,338	3,593	31	3,624	24,962			
Depreciation:															
At 1 January 2023		1,817	880	2,767	285	150	130	6,029	–	–	–	6,029			
Depreciation for the year		235	94	241	49	24	17	660	–	–	–	660			
Disposals		(26)	(15)	(39)	(68)	–	(18)	(166)	–	–	–	(166)			
At 31 December 2023 and 1 January 2024		2,026	959	2,969	266	174	129	6,523	–	–	–	6,523			
Depreciation for the year		240	92	198	44	25	19	618	–	–	–	618			
Disposals		(2)	(4)	(28)	(6)	–	(5)	(45)	–	–	–	(45)			
At 31 December 2024		2,264	1,047	3,139	304	199	143	7,096	–	–	–	7,096			
Net book value:															
At 31 December 2024		3,696	2,998	6,827	349	186	186	14,242	3,593	31	3,624	17,866			
At 31 December 2023		3,904	2,929	6,505	326	202	170	14,036	2,271	30	2,301	16,337			
At 1 January 2023		4,115	2,877	6,225	300	221	172	13,910	1,290	27	1,317	15,227			

- (i) Other items of property, plant and equipment in use comprises land and buildings, IT equipment and other assets. Included within this category is £7 million (2023 £7 million) relating to spend on non-operational sites which are not classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.
- (ii) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 5.1% (2023 5.6%).
- (iii) Transfers from inventories represents £94 million (2023 £66 million) of capitalised spare parts in Energy Networks.
- (iv) The £22 million impairment charge for the year ended 31 December 2024 (2023 £14 million), related to the write down of development projects in Renewable production.
- (v) The cost of fully depreciated property, plant and equipment still in use at 31 December 2024 was £510 million (2023 £475 million).
- (vi) Included within Other operating results in the Income statement for the year ended 31 December 2024 is £7 million (2023 £2 million) relating to compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.
- (vii) Included within the cost of property, plant and equipment at 31 December 2024 are assets in use not subject to depreciation, being land, of £49 million (2023 £47 million).

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

7 PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY *continued*

(b) Research and development expenditure – Group

The amount of research and development expenditure recognised as an expense during the year was £8 million (2023 £6 million).

(c) Movements in Property, plant and equipment – Company

	Property, plant and equipment in use £m
Year ended 31 December 2024	
Cost:	
At 1 January 2024	107
Additions	17
Disposals	(3)
At 31 December 2024	121
Depreciation:	
At 1 January 2024	64
Depreciation for the year	10
Disposals	(3)
At 31 December 2024	71
Net book value:	
At 31 December 2024	50
At 1 January 2024	43

(i) Property, plant and equipment in use principally comprises fixtures and fittings and IT equipment.

(ii) The cost of the fully depreciated property, plant and equipment still in use at 31 December 2024 was £37 million (2023 £34 million).

8 LEASING – GROUP AND COMPANY

(a) Nature of leases where lessee – Group and Company

Land – Group

The Group holds agreements to lease land (including seabed) and for the assignment of rights to use land, primarily for operational assets, (mainly wind farms), with typical lease terms running from four to 40 years. Certain leases contain the right to extend the existing lease term by up to 50 years; others can be terminated with appropriate notice, generally up to 24 months. The impact on the lease liability of the extension options for individual contracts, if taken, is not considered material.

Buildings – Group and Company

The Group leases buildings primarily for its office space and operational depots. The leases typically have lease terms running from ten to 25 years. Certain leases have options to extend the term by up to 25 years at the end of the existing lease term; others have options to terminate subject to a notice period of up to five years or at agreed break points.

The Company leases buildings primarily for its office space. The leases typically have lease terms running from ten to 25 years. Certain leases have options to extend the term by up to ten years at the end of the existing lease term. Most contracts have no termination options, whilst certain contracts have specific break options exercisable five or ten years before the contract end date.

The lease for the head office building has a 25 year term ending in 2041 at which point the Company, and thus the Group, has the right to extend the lease to 2046 (and to 2051 at 2046). It is currently not deemed reasonably certain that these extension options will be taken. However, should they be taken, the estimated movement in the lease liability would be a decrease of £3 million and an increase of £8 million respectively.

Vehicles – Group and Company

The Group leases vehicles with lease terms of generally between five and ten years, primarily being pool vehicles to mobilise its operational staff and other specialist vehicles. Certain leases can be extended by up to one year. Certain vehicle leases are considered short-term and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The Company leases vehicles with lease terms of between five and seven years, primarily being pool vehicles to mobilise its operational staff.

Other equipment – Group and Company

The Group leases operating plant and office equipment, with lease terms of up to 40 years. Certain leases have rights to extend the term by up to five years or terminate the lease giving appropriate notice which is generally up to twelve months. Certain plant and equipment leases are considered short-term and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The Company leases office equipment with lease terms typically of seven years.

Variable lease payments – Group and Company

Some of the Group's land and building leases contain variable lease payments which are based on wind farm output and building services supplied respectively. These payment terms are common for both of these types of leases. The fixed annual payments for the year were £55 million compared to variable payments of £30 million. Despite the future planned growth of Renewable production, the relative proportions of fixed and variable lease payments are not expected to be materially different in future years.

Certain building leases entered into by the Company are subject to variable lease payments that are based on the building services supplied. The fixed annual payments for the year were £11 million compared to variable payments of less than £1 million. The Company expects the relative proportion of fixed and variable lease payments to remain broadly consistent in future years.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

8 LEASING – GROUP AND COMPANY *continued*

Extension options – Group and Company

Some leases, contain extension options exercisable by the Group (in particular of land and buildings) and the Company (in particular some building and equipment leases) at the end of the non-cancellable contract period or an agreed point before that date. Where practicable, the Group and Company seek to include extension options in leases to provide operational flexibility. Those options held are exercisable only by the Group and Company (as applicable) and not by the lessors. At lease commencement, the Group and Company (as applicable) will assess whether it is reasonably certain to exercise the extension options and reassesses this if there is a significant event or change in circumstances within its control.

(b) Right-of-use assets – Group

	Note	Land £m	Buildings £m	Vehicles £m	Other equipment £m	Total £m
Cost:						
At 1 January 2023		404	128	47	4	583
Additions		65	–	1	–	66
Adjustment for changes in liabilities	(i)	17	12	16	1	46
Disposals		(1)	–	–	–	(1)
At 31 December 2023 and 1 January 2024		485	140	64	5	694
Additions		3	11	–	–	14
Adjustment for changes in liabilities	(i)	45	3	–	–	48
Disposals		(1)	(6)	(3)	–	(10)
At 31 December 2024		532	148	61	5	746
Depreciation:						
At 1 January 2023		62	28	30	3	123
Charge for the year		20	8	11	–	39
At 31 December 2023 and 1 January 2024		82	36	41	3	162
Charge for the year		23	8	11	1	43
Disposals		(1)	(6)	(3)	–	(10)
At 31 December 2024		104	38	49	4	195
Net book value:						
At 31 December 2024		428	110	12	1	551
At 31 December 2023		403	104	23	2	532
At 1 January 2023		342	100	17	1	460

- (i) Adjustments for changes in liabilities are movements in the right-of-use asset resulting from remeasurement of the associated lease liability to reflect changes to the lease payments due to any reassessment or lease modifications.
(ii) There are no right-of-use assets measured at revalued amounts.

(c) Right-of-use assets – Company

Year ended 31 December 2024	Note	Buildings £m	Vehicles £m	Equipment £m	Total £m
Cost:					
At 1 January 2024		124	4	3	131
Adjustment for changes in liabilities	(i)	4	–	–	4
Disposals		(3)	–	–	(3)
At 31 December 2024		125	4	3	132
Depreciation:					
At 1 January 2024		29	3	2	34
Charge for the year		7	1	–	8
Disposals		(3)	–	–	(3)
At 31 December 2024		33	4	2	39
Net book value:					
At 31 December 2024		92	–	1	93
At 1 January 2024		95	1	1	97

- (i) Adjustments for changes in liabilities are movements in the right-of-use asset resulting from remeasurement of the associated lease liability to reflect changes to the lease payments due to any reassessment or lease modifications.
(ii) There are no right-of-use assets measured at revalued amounts.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

8 LEASING – GROUP AND COMPANY *continued*

(d) Lease liabilities – Group and Company

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Less than one year	60	55	11	11
One to five years	199	185	42	41
More than five years	671	649	99	107
Total undiscounted lease liabilities at 31 December	930	889	152	159
Finance cost	(309)	(297)	(32)	(35)
Total discounted lease liabilities	621	592	120	124
Analysis of total lease liabilities				
Non-current	577	551	112	116
Current	44	41	8	8
Total	621	592	120	124

(e) Amounts recognised in Income statement – Group and Company

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Interest on lease liabilities	(21)	(20)	(4)	(4)
Variable lease payments not included in the measurement of lease liabilities	(31)	(24)	–	–
Expenses relating to short-term leases	(11)	(10)	–	–

(f) Amounts recognised in the Statement of cash flows – Group

	2024 £m	2023 £m
Payments of lease liabilities	(34)	(44)
Interest paid on lease liabilities	(20)	(20)
Payments for variable lease components	(30)	(22)
Payments for short-term leases	(10)	(9)
Total cash outflow for leases	(94)	(95)

(g) The total cash outflow for leases in the Company was £12 million (2023 £12 million)

9 RETIREMENT BENEFITS – GROUP AND COMPANY

A ANALYSIS OF BALANCE

The amounts recognised in the Consolidated and Company Statements of financial position in respect of the net retirement benefit assets/(obligations) are detailed below:

	2024 £m	2023 £m
Non-current assets	204	247
Non-current liabilities	(79)	(123)

The Company recognises the respective pension scheme assets and obligations in its Statement of financial position for the schemes for which it is the sponsoring employer as there is no appropriate contractual agreement or Group policy to allocate the assets and obligations on a legal entity basis. Detailed disclosures for accounting under IAS 19, under the provisions of IFRIC 14, are provided below.

B GROUP PENSION ARRANGEMENTS

The Group operates the following pension schemes for staff:

Scheme	Scottish Power Pension Scheme ("SPPS")	Manweb Group of Electricity Supply Pension Scheme ("Manweb")	Stakeholder Pension Plan
Type of benefit	Final salary	Final salary	Defined contribution
New entrants	No	No	Yes
Funded separately from Group assets	Yes	Yes	Yes
Administration method	Trustee board	Trustee board	Insurance contract
Member contributions	5% of salary	5.5% of salary	5% of salary with the option to change the contribution rate
How Group contributions are determined	Agreement of Trustee and Group following actuarial valuation (last valuation: 31 March 2021)	Agreement of Trustee and Group following actuarial valuation (last valuation: 31 March 2021)	Defined
Current actual Group contributions during year ended 31 December 2024	53.4% of salary	52.9% of salary	Up to 10% of salary for the majority of employees
Special contributions during year ended 31 December 2024	£3 million	£54 million	None
Special contributions planned for year ending 31 December 2025	None	£56 million	None
Pension charge	Based on advice of independent qualified actuary	Based on advice of independent qualified actuary	Equal to actual Group contributions in the year (2024 £25 million, 2023 £21 million)

9 RETIREMENT BENEFITS – GROUP AND COMPANY *continued*

The age profile of the two final salary schemes is expected to rise over time, due to the schemes being closed to new entrants. All else being equal, this will, in turn, result in increasing service costs for these two schemes due to the actuarial valuation method used, the projected unit method, which IAS 19 stipulates is used to determine the present value of the defined benefit obligation and current service cost.

The Group also operates an Unfunded Unapproved Retirement Benefit Scheme for former senior executives' benefit promises in excess of limits set by the UK taxation authorities. The UURBS has no invested assets, and the Group has provided £2 million as at 31 December 2024 (2023 £3 million) for the benefit promises which will ultimately be paid by the Group.

In light of the improvement in the SPPS funding position and the desire to avoid trapped surplus, the Company agreed a revised schedule of contributions with the SPPS Trustee in December 2023 which in effect suspended deficit contributions from 1 January 2024 provided that the scheme remained fully funded on a technical provisions basis. Funding tests were carried out by the Scheme Actuary at 31 March 2024 and 30 September 2024 confirming that the scheme remained fully funded and no deficit contributions were required.

The 31 March 2024 triennial funding valuation exercises are ongoing for both schemes. For SPPS, a further temporary schedule of contributions was agreed with the SPPS Trustee in December 2024 suspending Company contributions from 1 January 2025 in respect of scheme expenses and active members' future benefit accrual. The 31 March 2024 triennial valuation exercise is expected to complete shortly where it is expected that a reserve will be incorporated for expenses and future benefit accrual within the technical provisions and no further Company contributions would be required, provided that the scheme remains sufficiently funded (tested by the scheme actuary at six-monthly intervals).

For Manweb, the triennial funding valuation exercise is ongoing and is expected to be completed by 30 June 2025. The Company currently expects that contributions in respect of future benefit accrual will reduce significantly.

Manweb Best Endeavours

At 31 December 2022, the defined benefit obligation for Manweb was updated to reflect the constructive obligation arising from the 'best endeavours' commitment to provide pension increases in line with uncapped Retail Price Index ("RPI") inflation. This obligation had previously been communicated to Manweb members and was historically referenced in the scheme funding documents.

During the year ended 31 December 2023, the Group, jointly with the Manweb Trustee, sought the opinion of the King's Counsel ("KC") on whether the Group is legally obliged to provide full RPI pension increases to Manweb members. The KC opinion was that the Group does not have a legally binding and enforceable obligation to provide an increase in excess of 5%, should RPI exceed 5%. Further, the KC concluded that the Group has the discretionary right to cap increases at 5% where RPI in any year exceeds 5%. As at 31 December 2023, the Group had not reached a decision regarding how it would apply its discretionary power and no communications had been released to Manweb members on the matter. Consequently the Group did not record any impact with respect to this matter in the Group's Consolidated annual financial statements for the year ended 31 December 2023.

Ahead of the April 2024 pension increase, the Group decided to apply its discretion under the scheme rules and cap the pension increase at 5% (compared with uncapped RPI of 8.9%). In March 2024, a communication was issued by the Manweb Trustee to all members of Manweb confirming: (i) the outcome of the KC opinion; (ii) the decision to cap the April 2024 increase at 5%; and (iii) the future implications for future pension increases. This communication had the effect of removing the constructive obligation to provide increases in excess of 5%, should RPI exceed 5%.

The Manweb Trustee sought its own second KC opinion on this matter in July 2024 and, following receipt of that opinion, confirmed in its newsletter to members in February 2025 that the second KC opinion substantively agrees with the first KC opinion and that any viable options for a successful challenge of this position have now been exhausted. There is therefore no change to the conclusion reached by Group above.

For the year ending 31 December 2024, the Group has therefore recognised a reduction in the defined benefit obligation of £30 million (measured as at March 2024) and a corresponding past service credit (a plan amendment) in the Income statement.

Virgin Media Case

In June 2023, in the case of Virgin Media Limited vs NTL Pension Trustee II Limited, the Trustee raised a case to challenge whether an amendment to the pension scheme rules was invalid due to a lack of actuarial confirmation required by law for contracted-out defined benefit pension schemes (under Section 37 of the Pensions Scheme Act 1993). The High Court ruled in favour of the Trustee with respect to this matter. This ruling was appealed at the Court of Appeal on 25 July 2024 however, the appeal was dismissed. Therefore, as the law currently stands, a plan amendment to a contracted-out scheme carried out between April 1997 and April 2016 without appropriate actuarial confirmation could be deemed void.

Since the outcome of the Court of Appeal Judgement was announced, the Group instructed the SPPS and Manweb Trustee boards and their respective legal advisers to conduct a review of past changes to the respective trust deed and rules (between April 1997 and April 2016) and the historical actuarial and legal advice provided at the time to identify whether any amendments fall in scope and whether valid Section 37 confirmations were provided by the schemes' actuary.

To date, the Trustee of each scheme has shared (on a non-reliance basis) a summary of high-level initial findings from the legal reviews conducted. Further reviews are required to confirm if certain amendments are in scope of Section 37 and identify the relevant Section 37 notice.

The Group has reviewed this initial advice and shared it with its own independent advisers. Based on this review and independent advice, Group has concluded that at this stage in the review process, the legal reviews lack sufficient depth of detail on the specific changes caused by each respective amending deed, the interrelationship between the amending deeds and how they interact with overriding legislation. Given the complexity of the matter and the need for further legal consideration, the Group's view is that it is not possible to quantify the financial impact of the judgement for the purpose of the 31 December 2024 defined benefit obligation. Management will continue to work with the Trustee of each scheme and their respective legal advisers to understand whether any past amendments do indeed fall in scope and whether valid confirmation can be obtained.

9 RETIREMENT BENEFITS – GROUP AND COMPANY *continued*

C GROUP PENSION SCHEME GOVERNANCE

As described in the table on page 97, the Group operates two defined benefit pension schemes. Active members continue to accrue benefits in the schemes, which are based on final pensionable salary. The two schemes are closed to new entrants.

The schemes are approved by HMRC and subject to standard UK pensions and tax law. The defined benefit schemes are subject to the scheme funding requirements as set out in Section 224 of the Pensions Act 2004. In accordance with the scheme funding requirements, an actuarial funding valuation is carried out at least triennially to determine the appropriate level of ongoing contributions for both future service and a recovery plan in respect of any deficit at the valuation date. These actuarial valuations will be based on assumptions agreed between the Trustees and the Group. The assumptions used to calculate liabilities (or technical provisions) in a triennial funding valuation may differ from those used when accounting under IAS 19. The Trustees are required to set assumptions prudently, whereas IAS 19 assumptions are set with regard to the Group's best estimates. Additionally, the discount rate used to value technical provisions in a triennial valuation will take into account the scheme investment strategy, rather than being based on the yield on AA corporate bonds as required under IAS 19. The most recent completed actuarial valuations were as at the effective date of 31 March 2021.

In accordance with UK trust and pensions law, the defined benefit pension schemes are governed by their respective Board of Trustees. Although the Group meets the financial cost of running the schemes, the Trustees are responsible for the management and governance of the schemes, and have a duty to act in the best interests of the members.

The strategic management of the assets is the responsibility of the Trustees acting on expert advice. The Trustees take advice from the schemes' actuaries and investment advisers with a view to investing the schemes' assets in a manner that is appropriate to the nature and duration of the expected future retirement and death benefits payable from the schemes. In consultation with the Group, the Trustees have set out target investment strategies for the schemes of 66% matching and 34% growth assets.

In terms of the matching portfolio, the schemes utilise a Liability Driven Investment ("LDI") strategy. The aim of the LDI portfolio is to invest in a range of assets (mostly bonds) which broadly match the expected future benefit payments from the schemes. In addition, the Trustee of SPPS and the Trustee of Manweb implemented longevity swaps in December 2014 and July 2016 respectively. For further details, refer to the Mortality risk section that follows.

D RISK MANAGEMENT

The defined benefit schemes expose the Group to actuarial risks and details of the specific risks and how they are managed are described below.

D1 INVESTMENT (MARKET) RISK

There is a risk relating to changes in the value of the portfolio due to movements in the market value of the assets. To the extent that there is a mismatch between the investment strategy and the overall level and profile of the liabilities, this can lead to volatility in the funding level, and as the portfolio matures there is a risk of not being able to reinvest assets at the assumed rates. The Trustees utilise an LDI strategy which aims to invest 66% of the assets in matching LDIs such as bonds, which broadly match the nature and profile of the future expected benefit payments from the schemes.

The underlying LDI strategy utilises investment in fixed-interest and index-linked government securities, cash, and derivative instruments such as interest and inflation rate swaps. The objective of the LDI strategy is to manage the schemes' interest and inflation rate exposure relative to the interest and inflation rate exposure of the liability cash flows. Hence, the strategy provides a hedge against changes in scheme liabilities resulting from interest and inflation rate movements (refer to further detail below). LDI assets are valued in accordance with fair value principles. For instance, valuations will be based on quoted prices where available (e.g. fixed-interest securities) and pricing models using observable market inputs (e.g. in relation to swaps and other derivative instruments). The Trustees have diversified the market risk in the growth portfolio across multiple asset types, such as property and private and mezzanine debt. As with LDI, growth assets are valued based on quoted prices where available (e.g. quoted equities and corporate bonds). Where investments do not have a market quotable price available, such as level 3 assets, the fair values are derived in accordance with IFRS 13 and provided by the fund manager. Through diversification, the specific risk associated with individual investments is mostly mitigated and expected volatility of returns is reduced. In addition, the Trustees review the investment strategies on a regular basis to ensure that it remains appropriate and in particular in response to legislative changes, a material change in the schemes' funding levels or changes in the attitude to risk of the Trustees or Group.

Each of the pension schemes is invested in an appropriately diversified range of assets. The broad proportion of each asset class in which the schemes aim to be invested are as shown in the table below, however it is important to note that this may vary from time to time as markets change and cash may be held for strategic reasons. Additional information on the schemes' investment strategies, including ESG considerations, can be found in each of the Statement of investment principles at v4.aptiaoneview.co.uk/SPPS/education-centre/6667 and v4.aptiaoneview.co.uk/MANWEB/education-centre/6680

	2024	2023
LDI	66%	66%
Property	8%	8%
Mezzanine/Private debt	26%	26%
	100%	100%

D2 MORTALITY RISK

The assumptions adopted by the Group make allowance for future improvements in life expectancy. There is a risk that life expectancy improves faster than assumed and that benefits are paid for longer than expected, thereby increasing the cost of the schemes. The Group and the Trustees regularly review the actual scheme mortality experience to minimise the risk of using an inappropriate assumption. In general, the Trustees will also use prudent assumptions when deriving the triennial actuarial valuation basis used for funding requirements.

In December 2014 and July 2016, the Trustees of SPPS and Manweb (respectively) implemented a longevity swap in respect of the current pensioners at that time. The swap removes the previously unhedged longevity risk for the pensioners (and their contingent spouses) by hedging the risk of members covered by the contract living longer than expected (who constitute approximately 40% and 60% of the total liability of the SPPS and Manweb schemes respectively). The swaps are an insurance contract between both SPPS and Manweb and the counterparty insurer. Counterparty risk is mitigated by both SPPS and Manweb and the counterparty posting collateral to the other party on a daily basis to account for market movements in the value of the derivatives held.

SCOTTISH POWER UK PLC

NOTES TO THE ACCOUNTS *continued*

31 December 2024

9 RETIREMENT BENEFITS – GROUP AND COMPANY *continued*

D3 CURRENCY RISK

The Trustees have appointed Insight to manage the currency hedging mandates for SPPS and Manweb. Through the use of currency forwards, approximately 75% of the currency exposure inherent in the euro-denominated infrastructure and private debt instruments, and US dollar-denominated mezzanine and private debt instruments is hedged.

D4 INTEREST RATE RISK

A fall in the yield on government bonds increases both the liabilities and assets of the schemes. To the extent that the assets do not fully match the nature and duration of the liabilities, this could lead to a worsening in the funding position of the schemes. The Trustees currently target 66% of the schemes' investments in LDI which include matching assets such as fixed-interest bonds. The interest rate hedging strategy adopted within the LDI portfolio provides partial protection against the impact of changes in yields. The current target is for 95% and 88% of the interest rate risk (for SPPS and Manweb respectively) to be hedged on a technical provisions basis. Under the de-risking framework agreed between the Group and the Trustees, the level of interest rate hedging will be increased when market conditions are deemed favourable. As the level of hedging increases, funding level volatility will be further reduced.

D5 INFLATION RATE RISK

The majority of the schemes' liabilities increase in line with inflation, subject to relevant caps and collars. To the extent that inflation is higher than expected, this will increase the liabilities of the schemes. The schemes' target investment strategy is to invest 66% of the portfolio in LDI investments, which will include bonds that are also linked to inflation. The inflation hedging strategy adopted within the LDI portfolio provides partial protection against the impact of changes in inflation. The current target is for 98% and 88% of the inflation rate risk (for SPPS and Manweb respectively) to be hedged on a technical provisions basis. Under the de-risking framework agreed between the Group and the Trustees, the level of inflation-rate hedging will be increased when market conditions are deemed favourable. As the level of hedging increases, funding level volatility will be further reduced.

D6 MANWEB AND SPPS CREDIT FACILITIES

The Company provides separate revolving credit facilities to Manweb and SPPS (implemented in 2023 for Manweb and 2024 for SPPS). These facilities are for the purpose of ensuring that the schemes have sufficient short-term liquidity under a future stress scenario. For example, a significant collateral call in relation to the schemes' derivative hedging of inflation and interest rates caused by a sharp rise in gilt yields, such as that seen during the September 2022 'LDI crisis' in the UK. The Manweb facility allows for a maximum loan of £80 million and is in place until 31 December 2026 and the SPPS facility allows for a maximum loan of £76.5 million and is in place until 30 June 2025 – by these dates the schemes are expected to have sufficient liquidity under a stressed scenario due to the maturity profile of the schemes' illiquid assets, meaning the revolving credit facilities would no longer be required.

Both Manweb and SPPS have had sufficient liquidity to meet current cash flow requirements and accordingly no drawdowns from the facilities have been made to date, nor are any drawdowns expected in the immediate future. While the facilities are in place and no drawdowns have been made, there is no accounting impact for the Company.

E ACTUARIAL ASSUMPTIONS

E1 PENSION SCHEMES ASSUMPTIONS

The assumptions used by the independent actuary for the pension arrangements, for both schemes, were developed by management with the assistance of the independent actuary.

(a) The table below details the assumptions used by the independent actuary for the pension scheme arrangements and are expressed as weighted averages:

	2024	2023
Rate of increase in salaries (Note (i))	3.2% p.a.	3.0% p.a.
Rate of increase in deferred pensions (RPI capped at 5% p.a.) (Note (ii))	3.2% p.a.	3.0% p.a.
Rate of increase to pensions in payment (RPI capped at 5% p.a.) (Note (iii))	3.1% p.a.	3.0% p.a.
Discount rate	5.1% p.a.	4.4% p.a.
Inflation assumption – RPI	3.2% p.a.	3.0% p.a.
Inflation assumption – CPI	2.7% p.a.	2.4% p.a.

(i) For members of the former ScottishPower Final Salary Life Plan ("FSLP") section of the SPPS scheme, the 2024 salary assumption is 3.4% p.a. (2023 3.3% p.a.).

(ii) For members of the FSLP section of the SPPS scheme, deferred pensions are increased with reference to statutory revaluation.

(iii) For members of Manweb, at 31 December 2023 the majority of pensions in payment were assumed to increase in line with RPI without a cap applied. At 31 December 2024, as a result of the change in constructive obligation for pension increases, following communications to members about the Manweb best endeavours commitment, pensions in payment are assumed to be in line with RPI capped at 5% p.a.

Most benefits in the schemes increase in deferment or in retirement, with the rate and index of increase determined by when the benefit was accrued by the member and in which section. As stated in the scheme rules, the vast majority of benefits increase in line with RPI inflation subject to various floors and caps. A very small proportion of benefits, namely guaranteed minimum pension benefits accrued between April 1988 and April 1997, increase in retirement in line with CPI inflation with a 0% floor and a 3% cap applied on an annual basis.

(b) The weighted average life expectancies for mortality used to determine the benefit obligations were as follows:

	SPPS				Manweb			
	2024		2023		2024		2023	
	Male Years	Female Years	Male Years	Female Years	Male Years	Female Years	Male Years	Female Years
At 31 December								
Member age 63 (current life expectancy)	22.7	24.7	22.6	24.6	22.9	25.5	22.6	25.3
Member age 45 (life expectancy at age 63)	23.9	26.6	23.8	26.5	24.2	27.2	24.1	27.1

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31 December 2024

9 RETIREMENT BENEFITS – GROUP AND COMPANY *continued*

(c) The post-retirement mortality assumptions are as follows:

	2024		2023	
Base tables	SPPS 111%/108% S4PMA /111%/118% S4PFA (non-pensioner/pensioner)	Manweb 106%/106% S4PMA 102%/106% S4PFA (non-pensioner/pensioner)	SPPS 115%/113% S3PMA /115%/122% S3PFA (non-pensioner/pensioner)	Manweb 111%/113% S3PMA /106%/112% S3PFA (non-pensioner/pensioner)
Allowance for future improvements	CMI* 2023 with a 7.0 smoothing parameter, 0.25% initial addition parameter 20% w2022 and w2023 parameters and a 1.25% long-term improvement rate	CMI* 2023 with a 7.0 smoothing parameter, 0.25% initial addition parameter 20% w2022 and w2023 parameters and a 1.25% long-term improvement rate	CMI* 2022 with a 7.0 smoothing parameter, 0.25% initial addition parameter 40% w2022 parameter and a 1.25% long-term improvement rate	CMI* 2022 with a 7.0 smoothing parameter, 0.25% initial addition parameter 40% w2022 parameter and a 1.25% long-term improvement rate

* CMI – Continuous mortality investigations

The post retirement mortality assumptions have been set as follows:

- Base tables: consistent with best estimate from analysis conducted by the Scheme Actuary for purpose of latest triennial funding valuations (measured as at 31 March 2024).
- Future mortality improvements: review the latest CMI model and consider if any new parameters have been introduced or changes made to core parameters and carry out an analysis to ensure that these are set to be appropriate for the scheme's population.

The above reviews have led to the adoption of the latest 2023 CMI future improvements model. COVID-19 continues to affect mortality rates in the UK and the Company expects that it will take many years before mortality improvements revert to a pre-pandemic state. The Company therefore considers that it is appropriate to adopt a CMI w2022 and w2023 parameter of 20% (the weight placed on the excess deaths observed during 2022 and 2023).

E2 IMPACT OF CHANGING MATERIAL ASSUMPTIONS ON THE DEFINED BENEFIT OBLIGATIONS

The sensitivity analysis below has been calculated by varying the critical actuarial assumption whilst keeping all other assumptions constant. Liabilities are calculated using the same method and membership data as that used to derive the defined benefit obligation. As well as impacting on salary growth, a change in inflation also impacts on other inflation-linked assumptions such as increases to deferred pensions and pensions in payment. This sensitivity applies to the defined benefit obligations only, and not to the net defined benefit pension asset/liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of scheme assets. There has been no change to the method year-on-year to assess the sensitivity of the results to changes in the critical actuarial assumptions.

Possible changes as at 31 December to one of the actuarial assumptions would have affected the defined benefit obligations as noted below.

Impact of changing material assumption	Increase/(decrease) in defined benefit obligations					
	2024			2023		
	£m	£m	£m	£m	£m	£m
Rate of increase/decrease in inflation	0.5%	0.25%	0.1%	0.5%	0.25%	0.1%
Increase by	146	74	30	166	80	32
Decrease by	(138)	(69)	(27)	(165)	(84)	(34)
Rate of increase/decrease in discount rate	0.5%	0.25%	0.1%	0.5%	0.25%	0.1%
Increase by	(182)	(93)	(38)	(206)	(106)	(43)
Decrease by	203	99	39	231	112	44
Assumed life expectancy						
Increase mortality by one additional year			109			115

E3 ANALYSIS OF SCHEME ASSETS

E3.1 FAIR VALUE OF PLAN ASSETS

The following table provides information on the composition and fair value of plan assets of the SPPS and Manweb schemes.

	Notes	2024				2023			
		SPPS £m	Manweb £m	Total £m	Plan asset allocation %	SPPS £m	Manweb £m	Total £m	Plan asset allocation %
LDI instrument	(a)	1,072	251	1,323	42.2%	1,279	257	1,536	45.7%
Property		223	84	307	9.8%	221	83	304	9.0%
Cash		108	37	145	4.6%	84	27	111	3.3%
Mezzanine/private debt		839	241	1,080	34.4%	891	263	1,154	34.4%
Longevity swap fair value		(217)	(103)	(320)	(10.2)%	(234)	(106)	(340)	(10.1)%
Longevity swap collateral	(b)	384	218	602	19.2%	368	228	596	17.7%
Fair value of scheme assets		2,409	728	3,137	100.0%	2,609	752	3,361	100.0%

(a) At 31 December 2024, LDI instruments include £27 million of cash for SPPS and £8 million of cash for Manweb. The remaining assets within each scheme's liability driven investment allocations include fixed and index-linked government bonds as well as interest rate and inflation swap contracts. None of these investments are categorised as level 3 assets (refer to E3.2 overleaf).

(b) Longevity swap collateral is held in gilts and cash.

SCOTTISH POWER UK PLC

NOTES TO THE ACCOUNTS *continued*

31 December 2024

9 RETIREMENT BENEFITS – GROUP AND COMPANY *continued*

SPPS and Manweb investment strategies are similar and there is no significant difference in risk profiles due to either geography or industry type. The schemes' assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. Neither of the schemes held ScottishPower or Iberdrola shares in 2024 or 2023.

As at 31 December 2024, no plan assets (2023 none) have quoted prices in active markets. Markets are considered active if transactions for the asset take place with sufficient frequency and volume to provide pricing information at the measurement date and on an ongoing basis. The remaining plan assets do not have quoted prices in active markets. Of these plan assets, £1,067 million (2023 £1,118 million) are level 3 assets, which are discussed below.

E3.2 VALUATION OF LEVEL 3 PLAN ASSETS

Level 3 assets are investments where a market quotable price is not available. The fair values of these assets are derived in accordance with IFRS 13 and provided by the relevant fund manager. As noted below, year end valuations for some level 3 assets may be estimated and are significant accounting estimates. Final audited year end valuations for these assets are typically not available until several months after the year end. As part of the controls carried out on these assets, a retrospective review is carried out for the purposes of these accounts and material valuation differences updated.

(a) Property

An independent market valuation of the direct property investments as at 31 December 2024 is provided by BNP Paribas with reference to comparable market transactions. Key assumptions for property valuations are market rents and yields. Accordingly, the direct property valuation is not reported as being subject to 'material valuation uncertainty'. The fair value of the indirect property assets is based on the most recent available fund valuation at 31 December 2024.

(b) Mezzanine/private debt

Fair values are based on the most recently available quarterly valuations (30 September 2024) adjusted where relevant for cash flows to year end. Various different valuation methods are utilised by the mezzanine/private debt managers as appropriate for the underlying investment including discounted cash flows, enterprise value, cost plus accrued interest and external pricing. For instance, where internal cash flow modelling has been performed, significant assumptions will include discount rate and, expected cash flows. No material adjustments to the relevant quarterly valuations have been noted by the fund managers.

(c) Longevity swap

During 2024, an independent assessment of the fair values of the swaps was carried out on behalf of the Trustees by the actuary for the schemes for the purposes of updating the reported values in the scheme accounts as at 31 March 2024. Following a review by the Group of this valuation methodology, it was determined that this methodology, and consequently the fair values reported at 31 March 2024, were suitable for reporting under IAS 19 in accordance with IFRS 13. The fair value assessment carried out by the independent actuary allows for the difference between the present value of the known cash flows under the original fixed leg of the swap using longevity assumptions agreed at inception and the present value of the projected cash flows under the floating leg. The projections underlying the floating leg of the swap allow for the schemes' actual mortality experience since inception, more up to date data on current swap population and, more up to date industry expectations of future longevity experience and an allowance for the fees the Company expects the market to charge at the current time.

Therefore, for the purposes of the 31 December 2024 valuation, the Group has revised the 31 March 2024 fair value in line with this figure and adjusted to the year end in line with movements in the value of the fixed and floating legs of the swaps as calculated under the existing collateral model valuations due to changes in financial assumptions and the estimated impact of actual versus assumed scheme mortality experience. Hence the valuation takes into consideration current market conditions at the reporting date. This valuation approach is consistent with the methodology adopted for the 2023 year end.

As at 31 December 2024, the fair values of the longevity swap liabilities for SPPS and Manweb were £(217) million (2023 £(234) million) and £(103) million (2023 £(106) million) respectively.

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NOTES TO THE ACCOUNTS *continued*
31 December 2024

9 RETIREMENT BENEFITS – GROUP AND COMPANY *continued*

F MOVEMENTS IN THE DEFINED BENEFIT OBLIGATIONS AND SCHEME ASSETS DURING THE YEAR

(a) Movements in the present value of the defined benefit obligations and scheme assets are as follows:

Notes	2024			2023		
	Defined benefit obligations £m	Scheme assets £m	Total £m	Defined benefit obligations £m	Scheme assets £m	Total £m
At 1 January	(3,237)	3,361	124	(3,188)	3,428	240
Items recognised in the Consolidated income statement						
Current service cost	(22)	–	(22)	(21)	–	(21)
Past service cost (i)	29	–	29	–	–	–
Interest (expense)/income (ii)	(137)	147	10	(147)	162	15
Administration expenses	–	(7)	(7)	–	(4)	(4)
	(130)	140	10	(168)	158	(10)
Items recognised in the Consolidated statement of comprehensive income						
Actuarial (losses)/gains arising from changes in demographic assumptions	(20)	–	(20)	192	–	192
Actuarial gains/(losses) arising from changes in financial assumptions	254	–	254	(140)	–	(140)
Actuarial losses arising from changes of the scheme experience different to that assumed	(43)	–	(43)	(126)	–	(126)
Return on assets relative to interest income (ii)	–	(305)	(305)	–	(167)	(167)
	191	(305)	(114)	(74)	(167)	(241)
Other movements						
Employer contributions	–	105	105	–	135	135
Benefits paid	169	(169)	–	198	(198)	–
Scheme members' contributions	(5)	5	–	(5)	5	–
	164	(59)	105	193	(58)	135
At 31 December	(3,012)	3,137	125	(3,237)	3,361	124

- (i) The past service credit at 31 December 2024 of £29 million reflects the reduction in the defined benefit obligation arising from the change in constructive obligation from full RPI to RPI capped at 5% for pension increases (plan amendment under IAS 19). In addition, current service cost and interest (expense)/income have been remeasured from the date of the plan amendment (28 March 2024) to the end of the reporting period.
- (ii) The actual loss on scheme assets amounted to £158 million (2023 £5 million). As noted previously, the schemes' assets are largely hedged against movements in interest rates and inflation. The increase in bond yields over the period acts to decrease the value of the plan assets. But this is offset in part by a small increase in long-term inflation expectations (which increases the value of plan assets) and an increase in the fair value of the longevity swaps over the period.

(b) Analysis of the defined benefit obligations and scheme assets at 31 December:

	2024			2023		
	Defined benefit obligations £m	Scheme assets £m	Total £m	Defined benefit obligations £m	Scheme assets £m	Total £m
Present value of funded obligations/fair value of scheme assets	(3,010)	3,137	127	(3,235)	3,361	126
Present value of unfunded obligations	(2)	–	(2)	(2)	–	(2)
Total net asset			125			124

(c) The net asset/(liability) at 31 December is analysed by scheme as follows:

	2024 £m	2023 £m
Included on the Statement of financial position as non-current assets		
SPPS	204	247
Included on the Statement of financial position as non-current liabilities		
Manweb and UURBS	(79)	(123)
Total net asset	125	124

G ADDITIONAL INFORMATION

G1 FUTURE CONTRIBUTIONS

The Group expects to contribute £62 million to the pension schemes in the year ending 31 December 2025. The level of cash contributions payable by the Group are currently being reviewed as part of the 31 March 2024 triennial funding valuations which are both due to be completed by 30 June 2025. For Manweb, the Group's current expectation is that contributions in respect of future benefit accrual will reduce significantly. For SPPS, it is expected that a reserve will be incorporated into the technical provisions for future benefit accrual and expenses resulting in Group contributions ceasing.

SCOTTISH POWER UK PLC
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31 December 2024

9 RETIREMENT BENEFITS – GROUP AND COMPANY *continued*

G2 MATURITY PROFILE OF THE DEFINED BENEFIT OBLIGATIONS

The following table provides expected undiscounted future cash flow projections for both pension schemes based on current member data. These cash flows reflect expected benefit payment amounts based on the underlying demographic assumptions adopted at 31 December 2024. Cash flows are expected to peak in 2035 for both schemes with benefits payments extending to approximately 2085 for both schemes.

Year	Expected future cash flows (£m)				
	2025	2026	2027	2028	2029
SPPS	122	118	120	122	126
Manweb	51	48	49	52	53

Liabilities have been calculated as at 31 December 2024 based on membership data provided as at 30 April 2024.

G3 ANALYSIS OF THE DEFINED BENEFIT OBLIGATIONS BY MEMBER STATUS

At 31 December	2024		2023	
	SPPS %	Manweb %	SPPS %	Manweb %
Active members	23	19	24	21
Deferred members	15	8	15	8
Pensioners	62	73	61	71
The weighted average duration of the defined benefit obligations as at 31 December	13.5 years	12.0 years	14.0 years	12.5 years

G4 MINIMUM FUNDING REQUIREMENT

Under the rules of each scheme, the Trustees cannot unilaterally wind-up the schemes and the Group would be able to assume gradual settlement of the liabilities over time until all members have left. Having then triggered a wind-up, any remaining surplus would revert to the Group. Furthermore, the power to amend the rules of each scheme lies with the Group, and the Trustees cannot unilaterally improve benefits under the schemes. Therefore, the Group has an unconditional right to a refund under IFRIC 14 'IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' and thus there is no requirement to restrict any IAS 19 surplus, should it arise, nor to recognise any additional liabilities in respect of minimum funding requirements.

10 INVESTMENTS – GROUP AND COMPANY

Detailed information about the Group's subsidiaries, joint arrangements and associates is set out at Appendix 1.

A INVESTMENTS IN SUBSIDIARIES – GROUP AND COMPANY

All subsidiaries listed in Appendix 1 are included in the Group consolidation.

(a) Movements in investments in subsidiaries – Company

	Note	Investment in subsidiaries £m
At 1 January 2023, 31 December 2023 and 1 January 2024		5,023
Additional share capital	(i)	2,215
At 31 December 2024		7,238

(i) SPUK purchased additional share capital in SPENH in the year.

(b) Significant restrictions in respect of subsidiaries – Group

As is typical for a group of its size and scope, there are restrictions on the ability of ScottishPower to obtain distributions of capital, access the assets or repay the liabilities of members of its group due to the statutory, regulatory and contractual requirements of its subsidiaries, and due to the protective rights of non-controlling interests. After consideration of these factors, the resulting significant restrictions have been identified.

SPD and SPM are regulated DNOs and SPT is a regulated TNO. The activities of these entities are governed by licences granted by Ofgem. For such licenced entities, the main drivers facilitating distributions, including dividends, are holding an investment-grade credit rating and compliance with several other licence conditions. The total value of distributable reserves is restricted by the requirement to comply with several licence conditions including holding an investment-grade credit rating. In addition, standard condition 26 of the distribution licence conditions for SPD and SPM and standard condition B3 of the transmission licence conditions for SPT, restrict the disposal of property, plant and equipment. The Group has policies and procedures in place to adhere to the licence conditions and restrictions arising from them.

Value Restricted	2024 £m	2023 £m
Distributable reserves		
- SPD	558	436
- SPM	461	381
- SPT	664	600
Property, plant and equipment		
- SPD	3,580	3,333
- SPM	3,700	3,490
- SPT	4,168	3,606

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

10 INVESTMENTS – GROUP AND COMPANY *continued*

B NON-CONTROLLING INTERESTS – GROUP

(a) Movements in non-controlling interests

	Note	East Anglia One Limited	Other £m	Total £m
At 1 January 2023		1,032	3	1,035
Acquisition	(i)	–	(1)	(1)
Net profit for the year		92	–	92
Dividends		(440)	–	(440)
At 31 December 2023 and 1 January 2024		684	2	686
Net profit for the year		60	1	61
Dividends		(120)	(1)	(121)
At 31 December 2024		624	2	626

(i) On 7 March 2023, the Group acquired the remaining 28% share capital of Cumberhead West Wind Farm Ltd.

(b) Summary financial information for material non-controlling interests

The following tables summarise financial information for East Anglia One Limited, the only subsidiary that has a non-controlling interest that is material to the Group. The amounts disclosed are before any Group consolidation adjustments.

	2024 £m	2023 £m
Non-current assets	1,542	1,608
Current assets	139	199
Non-current liabilities	(372)	(346)
Current liabilities	(22)	(35)
Net assets	1,287	1,426
Net assets attributable to non-controlling interest	515	570
Revenue	405	503
Dividends paid	(300)	(1,100)
Net profit for the year	161	238
Other comprehensive income	–	–
Total comprehensive income	161	238
Profit allocated to non-controlling interest	64	95
Other comprehensive income allocated to non-controlling interest	–	–
Cash flows from operating activities	269	380
Cash flows from investing activities	(7)	(3)
Cash flows from financing activities	(308)	(1,107)
Net decrease in cash and cash equivalents	(46)	(730)

C JOINT OPERATIONS – GROUP

The Group holds a 50% ownership interest participating share in ChampionWind Limited and MarramWind Limited. The Group also holds a 50% ownership interest in Eastern Green Link 1 Limited, however, the Group's participating share in the entity is variable due to the terms attributable to the entity's external contracts. The participating shares of all three entities are accounted for as joint operations and considered material to the Group.

Significant judgements made in determining the classification of a joint arrangement

ChampionWind Limited, MarramWind Limited and Eastern Green Link 1 Limited are determined to be joint arrangements because they are separate legal entities which the Group has joint control over through respective shareholder agreements, which have the effect of giving the controlling parties rights to the assets of the arrangements and obligations for their liabilities. Therefore, the arrangements are considered to be joint operations. The aggregate amount of the capital and reserves are noted below.

	2024 £m	2023 £m
Aggregate capital and reserves		
ChampionWind Limited	93	91
MarramWind Limited	122	118
Eastern Green Link 1 Limited	–	–
	215	209

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

10 INVESTMENTS – GROUP AND COMPANY *continued*

D INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – GROUP

(a) Movement in carrying amounts of investments accounted for using the equity method

On 2 August 2024, the Group entered into certain agreements with all shareholders of NWEN (a company that indirectly holds 100% of the share capital of ENW, a DNO in the North West of England) for the acquisition of an 88% stake in the share capital of NWEN and thus indirectly ENW. The transaction completed on 22 October 2024, following approval by the UK Government under the National Security and Investment Act. The transaction was subject to review by the CMA. As the transaction was completed prior to CMA approval, the CMA imposed an IEO which prevented any integration prior to regulatory clearance being secured. On 20 March 2025 the CMA cleared the acquisition and the IEO was lifted. The transaction was structured through the purchase of shares representing 85.63% of NWEN's share capital and a cash capital increase in NWEN, through which the Group acquired an additional 2.37% stake in the company. KDM Power Limited, a consortium led by the Japanese company Kansai Electric Power Co, retained a 12% stake in NWEN's share capital.

The Group's investment in NWEN has been accounted for as an investment in an associate using the equity method (refer to Note 3A) and is material to the Group. All other investments accounted for using the equity method are investments in joint ventures and are immaterial in aggregate to the Group.

	Notes	NWEN £m	Other £m	Total £m
At 1 January 2023		–	9	9
Share of result for the year		–	1	1
At 31 December 2023 and 1 January 2024		–	10	10
Acquisition	(i)	2,218	–	2,218
Share of result for the year	(ii)	40	1	41
Share of other comprehensive income for the year	(ii)	6	–	6
At 31 December 2024		2,264	11	2,275

(i) On 22 October 2024, SPENH, a subsidiary of the Group, acquired 85.63% of the share capital of NWEN; this is represented by the acquisition of 4,482,862 ordinary shares of no par value and 280,008,889 redeemable preference shares of no par value. Subsequently, on 24 October 2024, NWEN issued 1,034,107 new ordinary shares of no par value and 64,592,592 new redeemable preference shares of no par value to SPENH, resulting in the Group owning an 88% share of NWEN and the corresponding voting rights at the year-end. The preference shares have no coupon or redemption date attached to them and are redeemable only at the request of NWEN. The cost of the preference shares acquired is included within the acquisition cost of £2,218 million.

(ii) The share of result and other comprehensive income for NWEN is for the period from acquisition on 22 October 2024 to 31 December 2024.

(b) Significant restrictions in respect of associates

Financial

NWEN is subject to certain financial covenants on its secured loans; these covenants can restrict distributions of dividends by NWEN if breached. NWEN is also restricted to paying dividends on certain dates each year.

Regulatory

ENW is a regulated DNO within the group headed by NWEN ("the NWEN Group"), whose activities are governed by a licence granted by Ofgem. Standard condition 30 of the distribution licence conditions sets out requirements for declaring distributions, including dividends and for the total value of distributable reserves. These requirements include holding an investment-grade credit rating and compliance with several other licence conditions.

(c) Summary financial information for associates

The following tables summarise financial information for NWEN, an associate that is material to the Group. NWEN has a financial year end of 31 March, however the financial information provided below has been prepared for the period from acquisition on 22 October 2024 to 31 December 2024. The amounts disclosed represent the full NWEN group and not the Group's share of those amounts. The amounts have been amended to reflect adjustments made when using the equity method, including fair value adjustments at acquisition and modifications for differences in accounting policies.

	£m
Non-current assets	4,283
Current assets	387
Non-current liabilities	(3,302)
Current liabilities	(308)
Net assets	1,060
Group share of net assets (88%)	933
Goodwill and other fair value on acquisition	1,297
Uplift to fair value resulting from additional post-acquisition investment	34
Carrying amount of investment in associates	2,264
Fair value measurements have been determined on a provisional basis due to the IEO restrictions in place. The Group anticipates that the premium arising from the difference between the acquisition cost of NWEN and its carrying amount will predominantly relate to intangible assets, primarily goodwill and the value of the licence, which have an indefinite lifespan and is thus not subject to amortisation.	
Revenue	143
Profit from continuing operations	46
Other comprehensive income	6
Total comprehensive income (100%)	52
Group's share of total comprehensive income (88%)	46

(d) Commitments in respect of joint ventures

The Group has commitments not recognised at 31 December 2024 relating to its interests in joint ventures of £2 million (2023 £1 million).

11 FINANCIAL INSTRUMENTS – GROUP AND COMPANY

GROUP

(a) Carrying amount of financial instruments

The table below sets out the carrying amount and fair value of the Group's financial instruments.

			2024		2023	
Classification	Notes		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets						
Derivative financial instruments	Fair value hedging instrument	(i)	170	170	303	303
Receivables	Amortised cost/FVTPL	(ii)	2,397	2,397	2,776	2,776
Cash		(iii)	92	92	159	159
Financial liabilities						
Loans and other borrowings	Amortised cost	(iv)	(9,250)	(9,219)	(6,899)	(6,833)
Derivative financial instruments	Fair value hedging instrument	(i)	(350)	(350)	(582)	(582)
Payables	Amortised cost	(ii)	(1,757)	(1,757)	(1,915)	(1,915)
Other financial liabilities	Amortised cost		(102)	(102)	(247)	(247)

The carrying amount of these financial instruments is calculated as set out in Note 4. With the exception of Loans and other borrowings, the carrying amount of financial instruments is a reasonable approximation of fair value. The fair value of Loans and other borrowings is calculated as set out in footnote (iv) below.

- (i) Included within Derivative financial assets is £9 million (2023 £9 million) of embedded derivatives. Included within Derivative financial liabilities is £5 million (2023 £nil) of embedded derivatives.
- (ii) Balances outwith the scope of IFRS 7 and IFRS 9 have been excluded, namely Prepayments, Other tax receivables, Payments received on account and Other taxes and social security.
- (iii) As a general rule, cash deposited with banks earns interest at rates similar to market rates on daily deposits. Restricted cash is £28 million as at 31 December 2024 (2023 £54 million) representing cash held relating to regulatory projects (refer to Note 4R).
- (iv) The fair value of listed debt is calculated using the most recently traded price to the 2024 year end date. The fair value of all other loans and borrowings is calculated using a discounted cash flow.

(b) Measurement of financial instruments

The Group holds certain financial instruments which are measured in the Statement of financial position at fair value as detailed in Note 11(a) above. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

In both the current and prior year, all Other investments held by the Group are classified as Level 1 and all Derivative financial instruments held by the Group are classified as Level 2.

Included in Level 2 derivative liabilities of £350 million (2023 £582 million) are inseparable third-party credit enhancements. These have been reflected in the fair value measurement of the liability.

Level 2 commodity derivatives are fair-valued by comparing and discounting the difference between the expected contractual cash flows for the relevant commodities and their quoted prices in an active market.

Level 2 foreign exchange derivatives comprise a cross-currency swap and forward foreign exchange contracts, which are both fair-valued using the forward exchange rates quoted in an active market.

Level 2 CPI-linked inflation swaps are fair-valued using a discounted cash flow which uses forward inflation expectations derived from observable markets.

Level 2 embedded derivatives are fair-valued using discounted cash flows which use forward expectations for inflation derived from observable markets, the quoted prices of relevant commodities and quoted forward exchange rates.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred. There were no transfers in either the current or prior year.

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11 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

(c) Analysis of derivative financial instruments – carrying amount

	2024				2023			
	Assets		Liabilities		Assets		Liabilities	
Note	Non-current £m	Current £m	Non-current £m	Current £m	Non-current £m	Current £m	Non-current £m	Current £m
Hedging derivatives:								
Exchange rate hedges:								
Fair value hedge – Cross-currency swap	10	–	–	–	17	–	–	–
Cash flow hedge – Foreign exchange rate	1	1	(23)	(28)	–	2	(11)	(14)
Commodity hedges – Cash flow hedge	9	169	(29)	(47)	75	362	(34)	(439)
Inflation swaps – Cash flow hedge	–	–	(221)	(21)	–	–	(216)	(24)
Non-hedging derivatives:								
Commodity derivatives – Non-hedge	–	50	(2)	(54)	–	164	(3)	(167)
Embedded derivatives – Non-hedge	9	–	(5)	–	9	–	–	–
Inflation swaps – Non-hedge	1	–	–	–	–	–	–	–
Total gross derivatives	30	220	(280)	(150)	101	528	(264)	(644)
Impact of netting (i)	(7)	(73)	7	73	(11)	(315)	11	315
Total net derivatives on Statement of financial position	23	147	(273)	(77)	90	213	(253)	(329)

(i) Certain derivative financial instruments are presented net in the Statement of financial position. A reconciliation between the gross and net position is provided in Note 11(d).

(d) Offsetting of financial assets and financial liabilities

The Group is eligible to present financial assets and financial liabilities net in the Statement of financial position as described in Note 4H2.3. The following table provides information on the impact of offsetting in the Statement of financial position as well as the financial impact of the netting of certain instruments in the event of default or similar agreements.

	2024					
	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial (liabilities)/assets offset in the Statement of financial position £m	Net amounts of financial assets/(liabilities) presented in the Statement of financial position £m	Related amounts not offset in Statement of financial position		
				Financial instruments (Note (ii)) £m	Collateral (held)/posted (Notes (ii) and (iii)) £m	Net amount £m
Financial assets						
Receivables	2,488	(91)	2,397	(223)	(10)	2,164
Derivative financial instruments	250	(80)	170	–	(61)	109
Financial liabilities						
Payables	(1,848)	91	(1,757)	56	10	(1,691)
Derivative financial instruments	(430)	80	(350)	–	220	(130)
Other financial liabilities	(102)	–	(102)	8	–	(94)

	2023					
	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial (liabilities)/assets offset in the Statement of financial position £m	Net amounts of financial assets/(liabilities) presented in the Statement of financial position £m	Related amounts not offset in Statement of financial position		
				Financial instruments (Note (ii)) £m	Collateral (held)/posted (Notes (ii) and (iii)) £m	Net amount £m
Financial assets						
Receivables	2,954	(178)	2,776	(406)	(8)	2,362
Derivative financial instruments	629	(326)	303	–	(15)	288
Financial liabilities						
Payables	(2,093)	178	(1,915)	6	8	(1,901)
Derivative financial instruments	(908)	326	(582)	–	400	(182)
Other financial liabilities	(247)	–	(247)	15	–	(232)

- (i) Certain contracts for both financial assets and financial liabilities, do not currently meet the offsetting criteria within IAS 32 'Financial Instruments: Presentation'. However, in the event of default, these would be required to be offset per the requirements of the contract. The above balances show the effect on the Group if these contracts were also offset.
- (ii) The Group enters into standard netting agreements with its commodity trading counterparties in order to mitigate the credit risk exposure of the Group. In addition, the Group utilises collateral support agreements with derivative counterparties to manage its credit exposure. These forms of collateral include margining for trading with exchanges, collateral used for bilateral and brokering trading, as well as letters of credit. At 31 December 2024, the value of letters of credit held amounted to £5 million (2023 £10 million). The value of letters of credit posted and performance guarantee bonds amounted to £428 million (2023 £452 million), £120 million (2023 £145 million) of which related to a letter of credit posted with the Group's commodity derivative clearer.
- (iii) At 31 December 2024, the Group held collateral of £81 million (2023 £45 million) in respect of receivables, of which £80 million (2023 £44 million) can be offset against financial assets. At 31 December 2024, the Group also posted collateral of £250 million (2023 £441 million) in respect of payables, of which £228 million (2023 £420 million) can be offset against financial liabilities.

11 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

(e) Financial risk management

The Group's principal financial liabilities, other than derivative financial instruments, comprise loans and other borrowings, trade and other payables and other financial liabilities. Their main purpose is to finance the Group's operations. The Group's principal financial assets, other than derivative financial instruments, comprise trade and other receivables, and cash that arises directly from its operations.

The Group has exposure to the following risks arising from the above financial instruments:

A CREDIT RISK

B COMMODITY MARKET RISK

C TREASURY RISK

The Group's senior management oversee the management of exposure to these risks through the policies detailed below. References to ScottishPower below apply fully to the Group.

The ScottishPower governance structure is supported by group risk policies and relevant risk and other guidelines adopted and approved by the SPL Board. The risk limits and indicators within the guidelines are approved by the boards of the Head of Business companies. ScottishPower's business risk assessment teams and the independent group risk management function support the SPL Board in the execution of due diligence and risk management. In addition, the boards of the Head of Business companies are responsible for ensuring that their respective business risks are adequately assessed, monitored, mitigated and managed. The UK Risk Director reports on risks for ScottishPower to the SP ACC and such reports are then presented to the SPL Board. ScottishPower's Internal Audit function also objectively and independently supervises the effectiveness of the Group's internal control system, which is made up of a set of risk management and control mechanisms and systems. This is achieved through regular and ad hoc audits, the results of which are reported to the SP ACC.

The governance structure described above, ensures that the risk management policies established for each division to identify, assess, monitor, report, manage and mitigate each relevant risk is adequately designed and implemented, and that an effective and efficient system of internal controls is maintained. The divisions adhere to their specific business risk limits and guidelines which were approved by the SPL Board.

The positions on risk and strategy for risk management are contained in the Risk Policy for Iberdrola's business in the UK (i.e. ScottishPower). The SPL Board adopts these policies which are implemented through a rigid risk governance structure, whereby responsibilities are vested with groups, committees and individuals on a global, as well as a divisional level. Generally, the risk management policy and control environment ensures that transactions undertaken, and instruments used, fall into the types of transactions approved by the SPL Board and are properly validated within the appropriate levels of authority. Transactions include instruments such as physically-settled instruments, financially-settled instruments, other contractual obligations, regulatory requirements and other obligations. The types of instruments which can be used are approved for each division. Subject to the limit requirements discussed above, no transactions were executed unless they were an approved instrument. Authorised personnel are permitted to engage only in those activities specified in the business operational policies and procedures.

A clear reporting structure is implemented within ScottishPower. It ensures that the portfolios are monitored on a timely basis and sufficient information is made available to management to enable quick response of the business to the dynamic characteristics of its market environment. Those reports include daily position, mark-to-market, Value at Risk ("VaR") reports as well as periodical fundamentals reports, credit watch, credit exposure, accounting and insurance reports.

A CREDIT RISK

Credit risk is the risk that a counterparty will not meet its contractual obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The carrying amount of financial assets and contracts represent the maximum credit exposure to the Group.

A1 CREDIT RISK MANAGEMENT

The Group is exposed to both settlement risk (defined as the risk of a counterparty failing to pay for energy and/or services which have been delivered), as well as replacement risk (defined as the risk of incurring additional costs in order to replace a sale or purchase contract following a counterparty default).

Aggregate portfolio risk is monitored and reported by a Credit VaR Monte-Carlo-based simulation model to quantify the total credit risk within the existing portfolio.

Further details on the credit risk management strategy adopted for significant types of financial asset are set out below.

- Exposure to credit risk in the supply of electricity and gas arises from the potential that customers default on their invoiced payables. The financial strength and credit-worthiness of business customers are assessed prior to commencing, and for the duration of, their contract of supply. Both domestic and business customers' credit-worthiness is reviewed from a variety of internal and external information sources including customer payment history and credit checks.
- Credit risk in respect of other transactions is mitigated by contracting with multiple counterparties and limiting exposure to individual counterparties based upon the risk of counterparty default.
- Credit risk associated with energy-related derivatives is considered to be with counterparties in related energy industries, financial institutions operating in energy markets, or fellow Iberdrola Group companies. At the counterparty level, the Group employs specific eligibility criteria in determining appropriate limits for each prospective counterparty, and supplements this with netting and collateral agreements including margining, guarantees, letters of credit and cash deposits where appropriate.
- Credit risk from balances with banks and financial institutions is managed by SPL Treasury in accordance with Iberdrola's cash investment procedure. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty by Corporate Risk Management.

In both the current and prior year, the Group evaluated the concentration of risk with respect to financial assets as low, with no material concentration of credit risk arising from one particular counterparty.

11 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

B COMMODITY MARKET RISK

Commodity market risk is principally comprised of energy market risk. In addition, the Group has a number of supply contracts which expose the Group to commodities used in its construction projects.

B1 ENERGY MARKET RISK

Throughout 2024 and the prior year, the Group was exposed to energy market risk associated with fluctuations in the market price of electricity and gas, compounded by volumetric risk caused by unplanned changes in the output of the portfolio of generation assets and consumption by energy customers.

B2 ENERGY MARKET RISK MANAGEMENT

The risk management policies are implemented at the business level with the oversight of the divisions' boards, management teams and the independent risk management function. The Group uses a number of risk measurement procedures and techniques to ensure that risk is kept within pre-approved limits. The key measures are stop-loss limits and volume exposure by tenor limits. All valuation models are reviewed and approved by the independent group risk management function on an ongoing basis, including changes to assumptions and model inputs. Changes that could have had significant impact on the Accounts required additional review and approval by the appropriate boards.

During both the current and prior year, the risk management function employed additional techniques such as VaR, to assist in measuring risk within the volume exposure by tenor limits. VaR is a key measure of the potential financial loss on a price exposure position over a defined period to a given level of confidence. VaR computations for the Group's energy commodity portfolios were based on a historical simulation technique, which utilised historical energy market forward price curve changes to estimate the potential unfavourable impact of price changes in the portfolio positions. The quantification of market risk using VaR provided a consistent measure of risk and sensitivity across the Group's continually changing portfolio, however, VaR was not necessarily indicative of actual results that may occur.

Future changes in markets inconsistent with historical data or assumptions used could cause variation in actual results to exceed predicted ranges. The Group's VaR computations for its energy commodity portfolio utilised several key assumptions, including a 99% confidence level for the resultant price changes and a holding period of five business days. VaR, while sensitive to changes in portfolio volume, does not account for commodity volume risk. Commodity volume risk is defined as the possibility that a change in the supply of, or demand for, the commodity will create an unexpected imbalance and change the requirements for the commodity.

The application of the VaR methodology includes the total forecasted volumes for the renewable generation assets and customer contracts to provide a more accurate measure of the risk associated with the volume exposure by tenor limits. The Group's VaR measures are shown in the table below.

	2024 £m	2023 £m
VaR	68	130
Average VaR over prior year	91	203
Maximum VaR over prior year	118	366
Minimum VaR over prior year	66	128

B3 HEDGING OF ENERGY MARKET RISK

Hedging activities associated with energy market risk are undertaken by Energy Management. The strategy of the business is to mitigate the economic risks associated with electricity generation and supply of electricity and natural gas to end users in both the wholesale and customer markets. From a reporting perspective the objective is to report earnings results that are consistent with its operational strategies and hence recognise the earnings effect of financial and non-financial derivative transactions executed to hedge economic business risks in the same period in which the hedged operational activity impacts earnings. The aim is to minimise earnings volatility, which would otherwise be present as a result of fair valuing all derivative contracts under IFRS 9. To achieve this objective, where effectiveness documentation and reporting requirements are met, cash flow hedge accounting is applied by designation of a series of derivative trades, and deferring in equity the fair value changes of open derivative positions until the period in which the forecast transactions occur.

Cash flow hedging strategies are developed for both the electricity and natural gas portfolios to hedge the variability in cash flows associated with changes in the market price of each commodity. Forward (fixed price/fixed volume) contracts are designated as hedging instruments for the majority of electricity and gas hedges. Load-following swaps are used to a lesser extent to hedge risks associated with electricity generation.

Counterparty risk is discussed in Note 11(e)A1.

B4 OTHER COMMODITY RISK MANAGEMENT

The Group has a small number of supplier contracts which expose the Group to other commodity price risks. All such contracts are identified to assess how hedging may be applied to mitigate the risks they create.

B5 COMMODITY CASH FLOW HEDGES

Certain commodity derivative instruments do not qualify for or are not subject to hedge accounting, including derivatives taken out with the ultimate parent company, Iberdrola, S.A.. Changes in the fair value of any derivative instrument that is not subject to hedge accounting are recognised immediately in the Income statement and are included in Gross margin, Finance income or Finance cost.

For an analysis of the split of the carrying amount of hedging and non-hedging commodity derivatives refer to Note 11(c).

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11 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

The amounts relating to commodity derivatives designated as hedging instruments during the year are detailed in the table below:

	Notes	2024 Hedging derivatives £m	2023 Hedging derivatives £m
Notional amount		2,207	2,517
Carrying amount – asset	(a)	178	437
Carrying amount – liability	(a)	(76)	(473)
Changes in the value of the hedging instrument recognised in other comprehensive income	(b)	138	823
Amount reclassified from Cash flow hedge reserve to Income statement	(c)	73	1,687

(a) The carrying amount of derivative assets and liabilities are recorded within Derivative financial instruments on the Statement of financial position.

(b) Included within the change in value of the hedging instrument is £3 million (2023 £nil) which relates to the cost of hedging and is not included for calculating hedge effectiveness.

(c) The amount reclassified from the Cash flow hedge reserve to the Income statement is recorded within Gross margin.

The amounts at the reporting date relating to commodity items designated as hedged items were as follows:

Line item in the Accounts in which the hedged item is/will be included	Change in fair value used for calculating hedge effectiveness		Cash flow hedge reserve balance	
	2024 £m	2023 £m	2024 £m	2023 £m
Gross margin	(146)	(823)	103	(31)
Property, plant and equipment in the course of construction	5	–	(5)	–

The assessment of effectiveness of all hedging relationships currently in place is carried out on a monthly basis as part of the financial reporting cycle. Prospective assessment is carried out at inception of the hedge and on an ongoing basis to verify that the hedge remains effective.

The Group determines that the economic relationship between the hedging instrument (the commodity derivative) and the hedged item (the commodity purchases or sale) will virtually always achieve 100% effectiveness where the key terms of the hedged item match the key terms of the hedging instrument. This will occur where the hedging instrument is a forward contract. As this is also the contract used to execute the hedged transaction, the key terms will match. Where this is not the case, prospective assessment is carried out at inception of the hedge, and on an ongoing basis, to verify that the hedge remains effective by comparing the movements in the fair value of the cash flows of the expected highly probable transaction with movements in the fair value of the hedging instrument.

Ineffectiveness will arise if the trade has been cancelled, in which case there would be no future transaction. In such circumstances, the trade and the hedge would be eliminated from the accounts. Ineffectiveness will also arise if the Group receives notification that the business have been unable to obtain a reliable price forecast from market sources or if there is a change to the Group Risk Management Strategy. Additionally, ineffectiveness will arise from any differences in the key terms of the hedged item and the hedging instrument.

B5.1 SENSITIVITY ANALYSIS ON COMMODITY PRICES

The sensitivity on the consolidated results to changes in the market prices of the main commodities are set out in the table below. Sensitivities below reflect reasonably possible changes in commodity prices.

Commodity	Note	2024			2023		
		Variation in price	Impact on Profit before tax £m	Impact on Equity before tax £m	Variation in price	Impact on Profit before tax £m	Impact on Equity before tax £m
Gas		30%	–	136	+150%	–	400
		-30%	–	(136)	-25%	–	(67)
Electricity	(a)	30%	(14)	(172)	+75%	(3)	(58)
	(a)	-30%	14	172	-25%	1	19

(a) At 31 December 2024, the volume of trades entered to hedge the sale of electricity generated exceeded the volume of trades entered to purchase electricity.

C TREASURY RISK

Treasury risk is comprised of liquidity risk, market risk and inflation risk. The Group's cash management and short-term financing activity is integrated with Iberdrola's. The Group's financing structure is determined by its position in the wider Iberdrola Group. The Group produces short-term rolling cash flow requirements and, if necessary, any required funding is obtained. The Group holds investment grade ratings with Moody's Investor Services (Baa1), S&P Global Ratings (BBB+) and Fitch Ratings (BBB+).

C1 TREASURY LIQUIDITY RISK MANAGEMENT

The Group's liquidity position and short-term financing activities are integrated and aligned with Iberdrola's. Liquidity risk (defined as the risk that the Group will have insufficient funds to meet its liabilities), is managed by SPL Treasury, who are responsible for arranging banking facilities on behalf of ScottishPower. Iberdrola Financiación S.A. (a fellow Iberdrola Group company) and SPL are the principal internal counterparties for the loan balances due from the Group. SPL is the principal counterparty for the loan balances due to the Group.

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11 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

C1.1 FINANCIAL LIABILITIES (EXCLUDING COMMODITY DERIVATIVES)

	2024						Total £m
	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5 years and thereafter £m	
Cash outflows*							
Derivative financial instruments (excluding commodity derivatives)	1,096	650	467	126	55	199	2,593
Loans and other borrowings	5,389	718	1,977	352	909	2,600	11,945
Payables	1,749	–	4	2	2	–	1,757
Other financial liabilities	84	7	5	4	2	–	102
	8,318	1,375	2,453	484	968	2,799	16,397

	2023						Total £m
	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5 years and thereafter £m	
Cash outflows*							
Derivative financial instruments (excluding commodity derivatives)	857	426	270	147	96	197	1,993
Loans and other borrowings	3,380	486	622	1,691	275	2,042	8,496
Payables	1,908	–	7	–	–	–	1,915
Other financial liabilities	226	7	5	4	3	2	247
	6,371	919	904	1,842	374	2,241	12,651

* Maturity analysis of lease liabilities is presented at Note 8(d).

The interest payments on variable interest rate loans and bond issues in the table above reflect current interest rates at the reporting date; these amounts may change as market interest rates change.

The future cash flows on derivative instruments (including commodity derivatives below) may differ from the amounts in the table above as interest and exchange rates or the relevant conditions underlying the calculation change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

C1.2 COMMODITY DERIVATIVES

The Group believes the liquidity risk associated with commodity derivatives needs to be considered in conjunction with the profile of payments in relation to all derivative contracts rather than only those in a liability position.

	2024						Total £m
	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5 years and thereafter £m	
Cash outflows*							
Net cash outflows/(inflows)	(282)	143	13	2	1	10	(113)

	2023						Total £m
	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5 years and thereafter £m	
Cash outflows*							
Net cash outflows/(inflows)	517	(258)	(40)	(9)	(9)	(4)	197

Details of the Group's contractual commitments are given in Note 30.

C2 TREASURY MARKET RISK MANAGEMENT

Market risk is the risk of loss resulting from changes in market rates (interest rates and foreign currency). The Group utilises a number of financial instruments to manage interest rate and foreign currency exposures.

C2.1 INTEREST RATE RISK

The Group's financial assets and liabilities are exposed to fluctuations in interest rates which impact upon cash flows and fair value measurements. During 2024 interest rates have seen a slow reduction from the start of year high, inflation rates have also reduced but at a more accelerated rate, expectation during 2025 is the continued steady reduction of interest and inflation rates. Changing interest rates and their impact upon the Group are constantly reviewed as discussed in the hedging strategy below.

(i) Hedging of interest rate risk

In order to adequately manage and limit interest rate risk, the Iberdrola Group annually determines the desired structure of the debt between fixed and floating interest rates, taking into account the indexing of income either interest rate or price index. SPL Treasury then take actions over the course of the year to work towards these desired Iberdrola Group ratios. Actions may include obtaining new sources of financing (at a fixed, floating or indexed rate) and/or utilising interest rate derivatives.

The Group may use interest rate derivatives, whether to set the interest rate (or limit its variability) for variable rate debt or to change debt from fixed rate to floating rate. Derivatives may also be used to establish the cost of future debt issues, provided they are highly probable and aligned to the strategic plan.

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11 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

(ii) Interest rate analysis of debt

The table below shows the debt structure of the Group after taking hedging derivatives into account.

	2024 £m	2023 £m
Fixed rate	2,093	2,092
Variable rate	6,900	4,621
	8,993	6,713

The Group's borrowings are held at amortised cost. The reference interest rates for the floating rate borrowings in 2024 are Sterling Overnight Index Average ("SONIA"), Bank of England Base Rate ("Base").

The variable rate debt consists of a £60 million (2023 £67 million) Japanese Yen ("JPY") loan, £nil (2023 £386 million) inflation-linked bonds, £2,445 million SONIA debt (2023 £1,630 million) and £4,395 million (2023 £2,538 million) loans linked to Base.

(iii) Sensitivity analysis on interest rate changes

The table below illustrates the impact on the annual interest rate charge considering various rate changes. The analysis assumes all other factors remain constant.

Debt category		Interest rate	Change in rate	Impact on interest charge in 2024 £m	Impact on interest charge in 2023 £m
Loans payable	Inflation-linked bonds	RPI	+0.5%	–	2
			+1.0%	–	4
			-0.5%	–	(2)
			-1.0%	–	(4)
Loans payable	SONIA debt (excluding JPY debt)	SONIA	+0.5%	12	8
			+1.0%	24	16
			-0.5%	(12)	(8)
			-1.0%	(24)	(16)
Loans payable	Short-term variable rate debt	Base	+0.5%	22	13
			+1.0%	44	25
			-0.5%	(22)	(13)
			-1.0%	(44)	(25)
Loans receivable	Short-term variable rate debt	Base	+0.5%	(5)	(5)
			+1.0%	(10)	(9)
			-0.5%	5	5
			-1.0%	10	9

(a) Interest on JPY loan is fixed, however this is changed to variable by a cross-currency swap. An increase or decrease in the interest rate on this loan by 1.0% would have an impact on the interest charge in 2024 of less than £1 million (2023 less than £1 million).

C2.2 FOREIGN CURRENCY RISK

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which purchases and borrowings are denominated. The currencies in which these transactions are primarily denominated are Euros, US Dollars, Danish Krone and Norwegian Krone. The SPL Board policy stipulates that there should be no significant exposure to foreign currency balances and therefore SPL Treasury will hedge all foreign currency payments and contracts which have a (cumulative) value greater than a Sterling equivalent of £0.25 million.

(i) Hedging of foreign currency risk

The Group uses a combination of a cross-currency swap and foreign currency forwards to hedge its exposure to foreign currency risk. Under the Group's policy, the critical terms of the forwards and swap must align with the hedged items.

For treasury-related items the Group only designates the spot component of foreign currency forwards and its cross-currency swap in a hedge relationship. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. The changes in the forward points of the foreign currency forwards, or in the case of the cross-currency swap the interest differential, that relate to hedging currency denominated loans are deferred in the Cost of hedging reserve.

The Group also enters into foreign currency forwards in relation to asset purchases, and items of general expenditure. For such items, the Group generally designates the entire value of the foreign currency forward in the hedge relationship.

Some foreign currency forwards do not satisfy the requirements for hedge accounting (economic hedges) under IFRS 9. These foreign currency forwards are subject to the same risk management policies as all other derivative contracts. However, they are accounted for as 'held for trading' with gains and losses recognised in Finance income or Finance costs in the Income statement.

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11 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

The table below illustrates the timing of the notional amount of the hedging instrument and the average forward price of the hedging instrument.

At 31 December 2024	Note	1 year £m	2 years £m	3 years £m	4 years £m	5 years+ £m	Total £m
USD	(a)	128	40	26	9	51	254
EUR	(a)	834	606	470	143	50	2,103
DKK	(a)	1	–	–	–	–	1
NOK	(a)	184	–	–	–	–	184
		1,147	646	496	152	101	2,542

(a) USD – US Dollar; EUR – Euro; DKK – Danish Krone; NOK – Norwegian Krone

(b) The information presented in the table above includes the gross notional value of the hedging derivative financial instruments arranged in absolute terms (without offsetting of purchase and sale positions).

At 31 December 2024	Average forward price of the hedging instrument (exchange rate)				
	1 year	2 years	3 years	4 years	5 years
USD (GBP:USD)	1.27	1.25	1.27	1.27	1.59
EUR (GBP:EUR)	1.17	1.12	1.11	1.11	1.08
DKK (GBP:DKK)	8.86	–	–	–	–
NOK (GBP:NOK)	14.01	–	–	–	–

Further details on the Group's foreign currency cash flow hedges and fair value hedges are set out below and on the following pages.

(ii) Foreign exchange rate cash flow hedges

Hedging of the purchase of assets and services: The Group is subject to cash flow risk resulting from the purchase of various assets and services which are denominated in foreign currencies. The risk being hedged relates to the fluctuation in the functional currency terms of value of these foreign currency denominated purchases. The Group enters into forward foreign exchange rate contracts to hedge those risks.

For an analysis of the split of the carrying amount of forward foreign exchange contracts refer to Note 11(c).

The amounts relating to foreign exchange rate derivatives designated as cash flow hedges during the year are detailed in the table below.

	Notes	2024 Hedging derivatives £m	2023 Hedging derivatives £m
Notional amount		2,491	1,860
Carrying amount – asset	(a)	2	2
Carrying amount – liability	(a)	(51)	(25)
Changes in the value of the hedging instrument recognised in other comprehensive income	(b)	(26)	(36)
Hedge ineffectiveness recognised in the Income statement	(c)	1	–
Amount reclassified from Cash flow hedge reserve to Statement of financial position	(d)	19	1

(a) The carrying amount of derivative assets and liabilities are recorded within Derivative financial instruments on the Statement of financial position.

(b) This is consistent with the change in the fair value of the hedging instrument used to calculate effectiveness for hedging of asset purchases and items of general expenditure.

(c) Hedge ineffectiveness of £1 million (2023 £nil) was recognised in the Income statement and included in Finance income.

(d) The amount reclassified from the Cash flow hedge to the Statement of financial position was £19 million (2023 £1 million). Refer to Note 14. The amount reclassified to Property, plant and equipment in the course of construction was £11 million (2023 £nil) and the amount reclassified to Inventories was £8 million (2023 £nil).

The amounts at the reporting date relating to foreign exchange items designated as hedged items were as follows:

Line item in the Accounts in which the hedged item is/will be included	Change in fair value used for calculating hedge effectiveness		Cash flow hedge reserve balance	
	2024 £m	2023 £m	2024 £m	2023 £m
Property, plant and equipment in the course of construction	25	18	(64)	(16)
Inventories	(1)	16	(17)	(7)
External services	1	1	1	1
Intangibles	1	1	(2)	–
	26	36	(82)	(22)
Less non-controlling interest share of cash flow hedge reserve	–	–	(1)	(1)
Total	26	36	(83)	(23)

The Group determines that the economic relationship between the hedging instrument (the foreign exchange rate forward contract) and the hedged item (the asset purchase or general expenditure) will mostly achieve 100% effectiveness. This is because the Group compares movements in the fair value of the expected highly probable forecast foreign currency cash flows, with movements in the fair value of the expected changes in cash flows from the hedging instrument. Forecast future foreign currency cash flows are largely based upon contractual obligations.

Ineffectiveness will arise if the trade has been cancelled, in which case there would be no future transaction. Ineffectiveness will also arise if the Group receives notification that the business has been unable to obtain a reliable price forecast from market sources or if there is a change in the Group's risk management strategy. Finally, ineffectiveness will arise from any differences in the key terms of the hedged item and the hedging instrument.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

11 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

(iii) Fair value hedges

Hedging the value of cross-currency debt: the Group has issued debt instruments denominated in JPY. The value of the Group's liability with respect to those instruments is subject to foreign exchange risk and interest rate risk. As a result, the Group entered into a cross-currency swap and has designated it within a fair value hedging relationship where it meets the required hedging criteria to mitigate this risk. The carrying amount of the associated 10 billion JPY loan is £60 million (2023 £67 million).

	Notes	At 31 December 2024	At 31 December 2023
Notional amount (£m)		51	51
Carrying amount – asset (£m)	(a)	10	17
Change in fair value of the hedging instrument used in calculating hedge effectiveness (£m)		(7)	(10)
Change in fair value of hedged item used to calculate hedge effectiveness (£m)	(b)	7	10
Hedge ratio		1:1	1:1
Average hedge rate for the year (£:JPY)		1:194.55	1:194.55

(a) The carrying amount of the fair value cross-currency swap is included within Derivative financial instruments on the Statement of financial position.

(b) In both the current and prior year the change in value of hedged items used to calculate hedge effectiveness is included within Loans and other borrowings.

(iv) Hedge assessment on foreign currency derivatives

Hedge assessment on foreign currency derivatives is completed prospectively to verify that the forecast transactions are still highly probable of occurring (for cash flow hedges) as well as retrospectively, to assess the effectiveness in the period under review. Prospective assessment is performed using sensitivity analysis and critical terms matching.

(v) Sensitivity analysis on foreign currency derivatives and cash flows

Sensitivity analysis is completed below for the open Euro, Norwegian Krone and US Dollar population of foreign exchange rate derivatives at 2024 year end. Sensitivity analysis with regard to Danish Krone was immaterial. The sensitivity analysis performed reflects reasonably probable fluctuations to the spot rates used in the derivative valuation model. The percentages used in the sensitivity analysis below are based on the deviation between the year end exchange rate and the highest and lowest rates observed in the year.

	2024		2023 (a)
	Net impact on Finance income and cost £m	Net impact on Cash flow hedge reserve before tax £m	Net impact on Cash flow hedge reserve before tax £m
Percentage change in spot rate used in derivative valuation model			
Net expense generated by an appreciation in the GBP: EUR spot rate of 1% (2023 2%)	–	(16)	(33)
Net income generated by a depreciation in the GBP: EUR spot rate of 5% (2023 3%)	2	92	40
Net expense generated by an appreciation in the GBP: NOK spot rate of 1% (2023 8%)	–	(2)	(5)
Net income generated by a depreciation in the GBP: NOK spot rate of 9% (2023 5%)	–	17	4
Net expense generated by an appreciation in the GBP: USD spot rate of 7% (2023 3%)	(1)	(13)	(5)
Net income generated by a depreciation in the GBP: USD spot rate of 2% (2023 7%)	–	4	12

(a) Net impact on Finance income and cost in 2023 was nil.

Foreign currency cash balances held are so small any movement in foreign exchange rates would result in an insignificant movement in the Income statement in both the current and prior year.

C3 INFLATION RATE RISK

(i) Hedging of inflation rate risk

The Group is exposed to inflation risk through its CfDs and certain supplier contracts.

Income earned through CfDs varies with inflation and volatility inherent in inflation will therefore impact the Group's income. In addition, the Group has entered into a number of supplier contracts where the price payable to the supplier is indexed to inflation.

To reduce exposure to this risk, the Group utilises CPI inflation swaps. These instruments result in the Group receiving a fixed CPI interest element, and paying a variable CPI interest element based on outturned CPI. The aim is to reduce volatility resulting from the exposure of revenue and capital expenditure to inflation. In 2024, the Group entered into a new CFD contract for EA2. Additional CPI swaps were entered to reduce the volatility attributed to the indexation clauses within this CFD.

The swaps are designated as cash flow hedges under IFRS 9 and hedge separately identifiable and reliably measurable contract terms of CfDs.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

11 FINANCIAL INSTRUMENTS – GROUP AND COMPANY *continued*

	Notes	2024 Hedging derivatives £m	2023 Hedging derivatives £m
Notional amount		613	282
Carrying amount – liability		(242)	(240)
Change in the fair value of the hedging instrument recognised in other comprehensive income	(a)	(2)	50
Amount reclassified from Cash flow hedge reserve to Income statement	(b)	20	15

(a) This is consistent with the change in the fair value of the hedging instrument used to calculate effectiveness.

(b) Amounts reclassified to Income statement are included within Gross margin.

Line item in the Accounts in which the hedged item will be included	Change in fair value used for calculating hedge effectiveness		Cash flow hedge reserve balance	
	2024 £m	2023 £m	2024 £m	2023 £m
Gross margin	2	(50)	(240)	(238)

(ii) Hedge effectiveness

The Group determines that the economic relationship between the hedging instrument and the hedged item will virtually always achieve 100% effectiveness. This is because the Group compares movements in the fair value of the expected highly probable cash flows, with movements in the fair value of the expected changes in cash flows from the hedging instrument. Forecast cash flows are based upon contractual obligations.

COMPANY

	Derivative financial instruments £m
At 1 January 2023	28
Recorded in Income statement	(10)
Cash settlement of derivative interest	(1)
At 31 December 2023 and 1 January 2024	17
Recorded in Income statement	(6)
Recorded in Cash flow hedge reserve	(1)
At 31 December 2024	10

The Company's derivatives comprise forward foreign exchange contracts and a cross-currency swap. The Company uses foreign currency forwards in relation to asset purchases and other items of general expenditure. For such items, the Company generally designates the entire value of the foreign currency forward in the hedge relationship. The tables below illustrate the timing of the notional amount of the foreign currency forwards and the average forward price of the foreign currency forwards.

At 31 December 2024	Notional amount of hedging instrument (maturity profile) £m		
	Less than 1 year	1 to 2 years	Total
EUR	5	1	6

At 31 December 2024	Average forward price (exchange rate)	
	Less than 1 year	1 to 2 years
EUR (GBP:EUR)	1.17	1.10

The Company has issued debt instruments denominated in JPY. As a result, the Company has entered into a cross-currency swap and has designated it within a fair value hedging relationship where it meets the required hedging criteria to mitigate this risk. The carrying amount of the associated 10 billion JPY loan at 31 December 2024 is £60 million (2023 £67 million). The notional amount of the cross-currency swap is £51 million and the average hedge rate for the year (GBP:JPY) is 1:194.55.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

12 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY

(a) Analysis of trade and other receivables

(a) Analysis of trade and other receivables		Group		Company	
		2024 £m	2023 £m	2024 £m	2023 £m
	Notes				
Non-current:					
Receivables due from related parties – loans	(i)	297	507	4,168	3,994
Prepayments		3	3	–	–
		300	510	4,168	3,994
Current:					
Receivables due from related parties	(ii)	252	264	10	8
Receivables due from related parties – loans	(i)	701	408	150	–
Receivables due from related parties – interest		102	100	34	32
Trade receivables (including unbilled revenue)		982	1,256	2	1
Prepayments		62	58	7	7
Other tax receivables		28	24	6	19
Receivables in respect of government support schemes	(iii)	33	39	–	–
Other receivables	(ii)	30	202	–	–
		2,190	2,351	209	67

(i) Group loans due from related parties are receivable on demand with interest earned at Base plus 1%. The loans are repayable on demand but certain loans are classified as non-current as the Group expects to realise the assets after twelve months from reporting date.

Company loans from related parties are analysed below:

Interest rate	Maturity	Company 2024		Company 2023	
		Non-current £m	Current £m	Non-current £m	Current £m
2.821%	2025	–	150	150	–
12-month SONIA + 3.365%	2029	320	–	320	–
6-month SONIA + 1.025%	2029	700	–	700	–
6-month SONIA + 0.78%	2030	1,149	–	1,150	–
3.6%	2032	1,124	–	1,125	–
5.67%	2033	625	–	549	–
6-month SONIA + 1.44%	2034	250	–	–	–
		4,168	150	3,994	–

(ii) Group receivables due from related parties includes £220 million (2023 £240 million) of collateral posted. Group other receivables includes £30 million (2023 £201 million) of collateral posted.

(iii) At 31 December 2024, the Group had receivables due from the UK Government of £32 million (2023 £35 million) relating to the EPG scheme. Also at 31 December 2023, the Group had receivables due from the UK Government of £2 million relating to each of the EBRS and EBDS schemes.

(b) Expected credit losses – Group

For trade receivables, the Group applies the simplified model for the calculation of ECLs. Given the varying risk characteristics of the population of trade receivables, this balance has been segmented for disclosure purposes into Energy customers' trade receivables and Other trade receivables.

Energy customers' trade receivables

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

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

The UK Government's EPG scheme ended in March 2024. From July 2023, the discount available under this scheme only applied if prices rose above £3,000 per annum for a typical UK dual fuel household, however, the price cap remained below this level and therefore the scheme did not provide support to customers other than being used by the UK Government to provide a discount to prepayment customers to levelise the price with those for the DD payment method from 1 July 2023 until 31 March 2024. For non-domestic customers the EBDS provided some support to customers until 31 March 2024. Therefore, these schemes offered limited support in the first quarter resulting in sustained pressure on customers' ability to pay. Ofgem continued to make changes to the price cap methodology to enable suppliers to recover during 2024 some of the costs incurred for previous price cap periods most notably for bad debt. However with energy prices remaining almost double the level they were three years ago, many consumers are still facing severe cost of living challenges.

The new rules which Ofgem implemented in November 2023, increases the number of customers where an involuntary PPM is not considered an option. This has limited the options available to recover debt and this has been factored in to forward-looking ECL considerations.

In terms of assessing I&C customers, the ECL is based on external credit scoring. The Energy Customers Credit Risk and Corporate Risk teams remain vigilant in tracking any liquidity issues on existing customers to identify any pre-emptive actions required, including putting collateral or letters of credit in place.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

12 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY *continued*

With the exception of I&C customers, management considers that where customers are final and all debt collection procedures have been exhausted, collectability is not deemed to be reasonably assured and therefore, amounts billed to these customers are written off as uncollectable. Set out below are the details of the credit risk exposure on energy customers' trade receivables:

	Current £m	90–179 days past due £m	180–365 days past due £m	More than 12 months past due £m	Non-aged balances (Note (ii)) £m	Unbilled (Note (iii)) £m	Total (Note (iii)) £m
At 31 December 2024							
Weighted average expected loss rate (%)	15.9%	33.7%	44.6%	50.3%	4.1%	37.7%	34.8%
Gross carrying amount: Trade receivables	201	101	193	358	121	69	1,043
Loss allowance	(32)	(34)	(86)	(180)	(5)	(26)	(363)
Net carrying amount	169	67	107	178	116	43	680
	Current £m	90–179 days past due £m	180–365 days past due £m	More than 12 months past due £m	Non-aged balances (Note (ii)) £m	Unbilled (Note (iii)) £m	Total £m
At 31 December 2023							
Weighted average expected loss rate (%)	15.2%	34.8%	43.5%	51.8%	2.1%	15.8%	25.6%
Gross carrying amount: Trade receivables	205	120	216	232	303	177	1,253
Loss allowance	(31)	(42)	(94)	(120)	(6)	(28)	(321)
Net carrying amount	174	78	122	112	297	149	932

- (i) No amounts are past due or impaired or past due but not impaired in either year. Non-aged balances include balances with I&C customers where the ECL is based on external credit scoring.
- (ii) The unbilled receivables of £69 million (2023 £177 million) includes gross unbilled receivables of £267 million (2023 £333 million) less customer credit balances of £198 million (2023 £156 million) in relation to customers in arrears after applying unbilled charges. The loss allowance in relation to unbilled receivables is £26 million (2023 £28 million). Further information on unbilled receivables, including sensitivity, is detailed in Note 3.
- (iii) Since the prior year, the weighted average expected loss rate for energy customers' trade receivables has increased by 9.2%. The underlying Domestic and SME rates have increased by only 2% mainly due to higher aged Final debt. The main driver for the increase to the overall weighted percentage is the loss of large, low risk, I&C customers during 2024 (as part of the ongoing planned I&C market exit). These customers had high billed revenue, high short-term debt that was settled very quickly, and very low provision rates. The loss of these large customers therefore diluted the average provision rates somewhat in prior years.
- (iv) Net carrying amount of £680 million (2023 £932 million) includes gross billed debt of £932 million (2023 £897 million) for domestic and SME customers and £332 million (2023 £287 million) of loss allowance on this billed debt. This amount is subject to significant estimation uncertainty, refer to Note 3.

Other trade receivables

The Group also uses the IFRS 9 simplified model to measure ECLs for all other trade receivables. The provision rates represent a lifetime ECL and are based on the Iberdrola Group's historical loss experience and default rates. The table below illustrates the ECL on other trade receivables:

	0-6 months £m	Greater than 6 months £m	Total £m
At 31 December 2024			
Weighted average expected loss rate (%)	0.3%	36.4%	2.9%
Gross carrying amount	289	22	311
Loss allowance	(1)	(8)	(9)
Net carrying amount	288	14	302
	0-6 months £m	Greater than 6 months £m	Total £m
At 31 December 2023			
Weighted average expected loss rate (%)	0.4%	28.9%	2.5%
Gross carrying amount	308	24	332
Loss allowance	(1)	(7)	(8)
Net carrying amount	307	17	324

Other trade receivables are written off when there is no reasonable expectation of recovery; indicators of which include, amongst others, the failure of a debtor engage in a repayment plan with the Group. The loss allowance has increased by £1 million to £9 million in comparison to prior year. Refer to the table reconciling the movement in the opening to the closing loss allowance.

Security for trade receivables

For certain trade receivables, the Group may obtain security in the form of guarantees or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement (refer to Note 11(d)). The Group may require collateral in respect of certain other trade and other receivables (refer Note 19).

Other financial assets

Other financial assets, which are not included above are not considered to have a material credit risk this includes receivables in respect of government support schemes.

Financial guarantees

The Group's policy is only to provide financial guarantees for subsidiaries' liabilities relating to financing transactions. Under exceptional circumstances parent company guarantees are issued, in favour of a third party, to cover business operations of a Group company.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

12 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY *continued*

Reconciliation of opening to closing loss allowance

The closing loss allowances for all financial assets measured at amortised cost at 31 December 2024 reconciles to the opening loss allowances as follows:

	Note	Trade receivables £m
At 1 January 2023		304
Increase in loss allowance recognised in the Income statement	(i)	206
Utilisation of provision		(181)
At 31 December 2023 and 1 January 2024		329
Increase in loss allowance recognised in the Income statement	(i)	109
Utilisation of provision		(66)
At 31 December 2024		372

(i) Net credit losses on trade and other receivables per the Consolidated income statement of £109 million (2023 £206 million) includes £nil credits (2023 £6 million) offset by £1 million (2023 £6 million) additional net costs primarily in relation to bad debt write offs.

The overall increase from the prior year in the loss allowance of £43 million is primarily driven by changes in market conditions.

13 INVENTORIES – GROUP

	2024 £m	2023 £m
Offshore transmission assets	982	566
ROCs	267	237
Fuel stocks	25	34
Other inventories	70	58
	1,344	895

(a) Inventories with a value of £368 million (2023 £404 million) were recognised as an expense during the year.

14 ANALYSIS OF MOVEMENTS IN CASH FLOW HEDGE RESERVE – GROUP

(a) The changes in the hedge reserve arising from valuation adjustments to hedging derivatives is set out below:

	Cost of hedging reserve £m	Commodity hedges (a) £m	Foreign exchange rate hedges £m	Inflation hedge £m	Gross value of hedges £m	Tax effect £m	Total £m
Analysis of cash flow hedge reserve							
At 1 January 2023	2	(693)	21	(290)	(960)	210	(750)
Effective cash flow hedges recognised	–	(1,025)	(45)	37	(1,033)	243	(790)
Removed from equity and recognised in Income statement	–	1,687	–	15	1,702	(399)	1,303
Removed from equity and recognised in carrying amount of hedged items	–	–	1	–	1	–	1
Cost of hedging reserve – change in fair value	(1)	–	–	–	(1)	–	(1)
Change in tax rate	–	–	–	–	–	3	3
At 31 December 2023 and 1 January 2024	1	(31)	(23)	(238)	(291)	57	(234)
Effective cash flow hedges recognised	–	56	(80)	(22)	(46)	11	(35)
Removed from equity and recognised in Income statement	–	73	–	20	93	(21)	72
Removed from equity and recognised in carrying amount of hedged items	–	–	19	–	19	(5)	14
Cost of hedging reserve – change in fair value	(4)	–	–	–	(4)	1	(3)
Hedge ineffectiveness recognised in the Income statement	–	–	1	–	1	–	1
At 31 December 2024	(3)	98	(83)	(240)	(228)	43	(185)

(a) Reduction in Effective cash flow hedges recognised in 2024 is due to reduced volatility in electricity and gas prices compared to the prior year.

(b) The maturity analysis of amounts included in the hedge reserve is as follows:

	2024 £m	2023 £m
Less than 1 year	27	(80)
1-2 years	(34)	15
2-3 years	(24)	(20)
3-4 years	(22)	(19)
5 or more years	(132)	(130)
	(185)	(234)

SCOTTISH POWER UK PLC
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31 December 2024

15 DEFERRED INCOME – GROUP

	Transfer of assets from customers £m	Other revenue-related deferred income £m	Total £m
At 1 January 2023	1,472	11	1,483
Receivable during year	127	–	127
Released to Income statement	(49)	(8)	(57)
At 31 December 2023 and 1 January 2024	1,550	3	1,553
Receivable during year	125	–	125
Released to Income statement	(47)	(3)	(50)
At 31 December 2024	1,628	–	1,628

	2024 £m	2023 £m
Analysis of total deferred income		
Non-current	1,581	1,500
Current	47	53
	1,628	1,553

16 PROVISIONS – GROUP AND COMPANY

(a) Provisions – Group

	Regorganisation and restructuring (Note (ii)) £m	Decommissioning costs (Note (iii)) £m	Renewables Obligation (Note (iii)) £m	Regulatory (Note (iv)) £m	Other (Note (v)) £m	Total £m
At 1 January 2023	3	257	327	–	5	592
New provisions	–	6	389	38	7	440
Unwinding of discount	–	10	–	–	–	10
Utilised during year	(3)	(2)	(433)	–	–	(438)
Released during year	–	(1)	–	–	(1)	(2)
At 31 December 2023 and 1 January 2024	–	270	283	38	11	602
New provisions	–	6	347	–	4	357
Unwinding of discount	–	11	–	–	–	11
Utilised during year	–	(1)	(379)	(14)	(1)	(395)
Released during year	–	(1)	(2)	(22)	(5)	(30)
At 31 December 2024	–	285	249	2	9	545

	2024 £m	2023 £m
Analysis of total provisions		
Non-current	279	265
Current	266	337
	545	602

- (i) The reorganisation and restructuring provision relates to restructuring programmes within Customer business launched in previous years. The balance of this provision was utilised in 2024.
- (ii) The provision for decommissioning costs is the discounted future estimated costs of decommissioning certain non-current assets. There is significant estimation uncertainty in relation to this. Refer to Note 3B(d) for further details. The decommissioning costs are expected to be incurred in the period between 2025 and 2067. The following table shows the timeline in which undiscounted costs in relation to the decommissioning provision are expected to become current:

	Less than 1 year £m	1 to 10 years £m	11 to 20 years £m	21 to 30 years £m	31 to 40 years £m	41 years and thereafter £m	Total £m
Decommissioning costs	–	82	142	311	109	–	644

- (iii) The provision for the Renewables Obligation at 31 December 2024 principally represents the value of ROCs for 2024 expected to be delivered in 2025. The utilisation of £379 million in the current year represents the ROCs surrendered to meet the annual RO. This provision is not discounted. Refer to Note 4J for the accounting policy.
- (iv) As set-out on Note 29, from time to time, regulatory bodies, including Ofgem, open inquiries with the Group in relation to compliance with licences, laws and regulations, and the Group works proactively with those relevant authorities. The provision recognised in 2023 relates primarily to one such matter for which the Group reached a satisfactory conclusion with the relevant authority during 2024; therefore, £14 million of the provision was utilised and the remainder released.
- (v) The provisions at both 31 December 2024 and 31 December 2023 are not individually sufficiently material to warrant separate disclosure.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

16 PROVISIONS – GROUP AND COMPANY *continued*

(b) Provisions – Company

	Decommissioning costs £m
At 1 January 2023, 31 December 2023, and 1 January 2024	5
New provisions	2
Utilised during year	(1)
At 31 December 2024	6

Analysis of total provisions	2024 £m	2023 £m
Non-current	3	3
Current	3	2
	6	5

The provision for decommissioning costs is the discounted future estimated costs of decommissioning certain non-current assets. The decommissioning is expected to occur over the period between 2025 and 2041.

17 LOANS AND OTHER BORROWINGS – GROUP AND COMPANY

(a) Analysis by instrument and maturity – Group

	Notes	Interest rate*	Maturity	2024		2023	
				Non-current £m	Current £m	Non-current £m	Current £m
Loans with related parties		Base + 1%	On demand	–	4,392	–	2,535
Loans with related parties		Base + 1%	On demand	–	3	–	3
Loans with related parties	(i)	SONIA + CAS + 0.78%	20 December 2027	190	190	380	–
Loans with related parties		3.05%	20 December 2027	900	–	900	–
Loans with related parties	(iii)	SONIA + 2.3%	1 March 2028	100	–	100	–
Loans with related parties	(ii)	SONIA + 0.84%	1 March 2029	650	–	650	–
Loans with related parties	(ii)	SONIA + 0.82%	1 March 2031	500	–	500	–
Loans with related parties	(ii)	SONIA + 1.47%	22 October 2035	815	–	–	–
Loans payable to related parties				3,155	4,585	2,530	2,538
£175 million inflation-linked bond	(iii)	3.494% x RPI	13 October 2024	–	–	–	386
£350 million euro-sterling bond	(iv), (v)	5.875%	17 July 2026	350	–	350	–
£350 million euro-sterling bond	(iv), (vi)	4.875%	20 September 2027	349	–	349	–
10 billion JPY loan	(vii)	4.6%	27 July 2029	60	–	67	–
£350 million euro-sterling bond	(iv), (viii)	2.0%	13 November 2031	344	–	343	–
£50 million medium-term note	(ix), (x), (xi)	5.75%	9 December 2039	50	–	50	–
£100 million medium-term note	(ix), (x)	6.375%	31 May 2041	100	–	100	–
Loans payable to external counterparties				1,253	–	1,259	386
Accrued interest due to related parties				–	237	–	163
Accrued interest due to external counterparties				–	20	–	23
				4,408	4,842	3,789	3,110

* SONIA + CAS - Sterling Overnight Index Average plus Credit Adjustment Spread.

- (i) This loan has the interest rates reset at pre-determined dates. The repayment of £190 million due in December 2025 is classified as current in the above analysis at 31 December 2024. The remaining £190 million will be repaid on maturity.
- (ii) These loans can be redeemed at any time by the Group, totally or partially, at market value giving five business days' notice to the lender. The settlement value will be calculated as defined by the repayment clause within each individual loan agreement. The lender may declare these loan agreements to have matured early in the event the lender's shareholding in the Group reduces to the extent that the Group no longer belongs to the Iberdrola Group.
- (iii) This bond was re-paid in full during the year at maturity.
- (iv) These bonds and notes contain a 'Loss of licence' covenant that may require repayment of the outstanding amount should the issuing company lose the relevant licence (distribution and transmission licences).
- (v) The £350 million euro-sterling bond will be redeemed at its principal amount in July 2026 unless previously redeemed or purchased and cancelled. The bond can be redeemed at any time by the Group at a higher redemption price (as determined by a financial advisor appointed by the Group and Guarantor) giving 30 to 60 days' notice.
- (vi) The £350 million euro-sterling bond will be redeemed at its principal amount in September 2027 unless previously redeemed or purchased and cancelled. The bond can be redeemed at any time by the Group at a higher redemption price (as determined by a financial advisor appointed by the Group and Guarantor) giving 30 to 60 days' notice.
- (vii) The interest rate quoted above on the 10 billion JPY loan is fixed. This is changed to a variable rate by a cross-currency swap.
- (viii) The £350 million euro-sterling bond will be redeemed at its principal amount in November 2031 unless previously redeemed or purchased and cancelled. The bond can be redeemed at any time by the Group at a higher redemption price (as determined by a financial advisor appointed by the Group and Guarantor) giving 30 to 60 days' notice.
- (ix) The external debt contains non-financial covenants. A future breach of these covenants may require repayment of the loans earlier than indicated in the above table. Under the agreements, the covenants are monitored on a regular basis by SPL Treasury and regularly reported to management to ensure compliance with the agreements.
- (x) SPL and the Company have an established joint US\$7 billion euro medium-term note programme. SPL has not issued under the programme. The Company has in issue various notes in Sterling which can be redeemed with 30 to 90 days' notice in case of unfavourable and unavoidable changes in the UK tax laws impacting on the note payments.
- (xi) These bonds and notes contain a 'Loss of licence' covenant that may require repayment of the outstanding amount should the Group lose the relevant licence (distribution, transmission and supply licences).
- (xii) At 31 December 2024, the Group had a £2.7 billion (2023 £2.7 billion) undrawn committed facility with SPL available. The facility expires on 30 April 2029 and remains undrawn.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

17 LOANS AND OTHER BORROWINGS – GROUP AND COMPANY *continued*

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities – Group

	Notes	Lease liabilities £m	Loans and other borrowings (Non-current) £m	Loans and other borrowings (Current) £m	Other financial liabilities £m	Total £m
At 1 January 2023		524	4,148	2,806	24	7,502
Increase in amounts due to related parties		–	–	57	–	57
Repayments of external borrowings		–	(5)	(250)	–	(255)
Repayments of other financial liabilities		–	–	–	(9)	(9)
Payments of lease liabilities		(44)	–	–	–	(44)
Interest paid		(20)	–	(236)	–	(256)
Total movements from financing cash flows	(i)	(64)	(5)	(429)	(9)	(507)
Transfer from non-current to current		–	(346)	346	–	–
Other movements	(ii)	132	(8)	387	232	743
Total liability-related other movements		132	(354)	733	232	743
At 31 December 2023 and 1 January 2024		592	3,789	3,110	247	7,738
Increase in amounts due to related parties		–	815	1,860	–	2,675
Repayments of external borrowings		–	–	(398)	–	(398)
Repayments of other financial liabilities		–	–	–	(7)	(7)
Payments of lease liabilities		(34)	–	–	–	(34)
Interest paid		(20)	–	(347)	–	(367)
Total movements from financing cash flows	(i)	(54)	815	1,115	(7)	1,869
Transfer from non-current to current		–	(190)	190	–	–
Other movements	(ii)	83	(6)	427	(138)	366
Total liability-related movements		83	(196)	617	(138)	366
At 31 December 2024		621	4,408	4,842	102	9,973

- (i) Total movements from financing cash flows do not include financing cash flows relating to equity. Cash flows not included relate to dividends paid and share capital issued.
- (ii) Other movements includes non-cash movements including accrued interest expense and the acquisition of lease liabilities and other financial liabilities in respect of confirming arrangements and software license liabilities.

(c) Analysis by instrument and maturity – Company

	Notes	Interest rate*	Maturity	2024		2023	
				Non-current £m	Current £m	Non-current £m	Current £m
Loans with related parties		Base + 1%	On demand	–	2,052	–	1,195
Loans with related parties		SONIA + 0.84%	1 March 2029	650	–	650	–
Loans with related parties		SONIA + 0.82%	1 March 2031	500	–	500	–
Loans with related parties		SONIA + 1.47%	22 October 2035	815	–	–	–
Loans payable to related parties				1,965	2,052	1,150	1,195
£175 million inflation-linked bond	(i)	3.494% x RPI	13 October 2024	–	–	–	386
10 billion JPY loan	(ii)	4.6%	27 July 2029	60	–	67	–
£50 million medium term note	(iii), (iv), (v)	5.75%	9 December 2039	50	–	50	–
£100 million medium term note	(iv), (v)	6.375%	31 May 2041	100	–	100	–
Loans payable to external counterparties				210	–	217	386
Accrued interest due to related parties				–	101	–	69
Accrued interest due to external counterparties				–	5	–	8
				2,175	2,158	1,367	1,658

- (i) This bond was re-paid in full during the year at maturity.
- (ii) The interest rate quoted above on the 10 billion JPY loan is fixed. This is changed to a variable rate by a cross-currency swap.
- (iii) This note contains a 'Loss of licence' covenant that may require repayment of the outstanding amount should the Group lose the relevant licence (distribution, transmission and supply licences).
- (iv) The external debt contains non-financial covenants. A future breach of these covenants may require repayment of the loans earlier than indicated in the above table. Under the agreements, the covenants are monitored on a regular basis by SPL Treasury and regularly reported to management to ensure compliance with the agreements.
- (v) SPL and the Company have an established joint US\$7 billion euro medium-term note programme. SPL has not issued under the programme. The Company has in issue various notes in Sterling which can be redeemed with 30 to 90 days' notice in case of unfavourable and unavoidable changes in the UK tax laws impacting on the note payments.
- (vi) At 31 December 2024, the Group had a £2.7 billion (2023 £2.7 billion) undrawn committed facility with SPL available. The facility expires on 30 April 2029 and remains undrawn.

SCOTTISH POWER UK PLC
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31 December 2024

18 OTHER FINANCIAL LIABILITIES – GROUP AND COMPANY

	Notes	Group		Company	
		2024 £m	2023 £m	2024 £m	2023 £m
Non-current:					
Software licence liabilities		18	21	8	8
Current:					
Confirming arrangements	(a)	68	204	–	–
Collateral held	(b)	8	15	8	15
Software licence liabilities		8	7	4	2
		84	226	12	17

(a) During 2024, the Group agreed with certain suppliers to extend the payment periods for certain invoices in respect of property, plant and equipment (“PPE”) and smart meter installation services. By virtue of the supplier financing arrangements agreed, the suppliers may choose to receive payment from a bank prior to the due date of the invoices. The arrangement does not introduce any additional collateral, guarantees or security.

The payment periods for the PPE invoices were extended from between 30 and 60 days to 180 days compared to normal terms of between 30 and 90 days for similar invoices. The payment periods for the smart meter installation service invoices were extended from 30 days to 90 days compared to normal terms of 30 days for similar invoices.

The Group has determined that, as the extended payment terms negotiated with the suppliers are beyond the normal terms agreed with other suppliers and the Group is required to pay a fee representing the supplier’s cost of offering the extended terms, the appropriate presentation of the £68 million (2023 £204 million) outstanding under these supplier finance arrangement is Other financial liabilities in the Consolidated statement of financial position, rather than Trade and other payables. As at 31 December 2024, the suppliers party to these agreements had already received payment of £68m (2023 £204m) from the bank.

The Group had cash outflows in the year in respect of invoices under supplier financing arrangements of £219 million (2023 £5 million).

A description of how the Group manages the liquidity risk inherent in this supplier financing arrangement is set out at Note 11(e)C1.

(b) Refer to Note 4H.5 for further details.

19 TRADE AND OTHER PAYABLES – GROUP AND COMPANY

	Note	Group		Company	
		2024 £m	2023 £m	2024 £m	2023 £m
Non-current:					
Other payables		8	7	5	3
Current:					
Payables due to related parties		7	3	2	1
Trade payables		683	647	18	20
Other taxes and social security		17	69	1	1
Payments received on account		163	180	–	–
Capital payables and accruals		653	650	13	7
Collateral held		73	30	–	–
Other payables	(a)	333	578	17	12
		1,929	2,157	51	41

(a) Included within Group other payables is a balance of £284 million (2023 £533 million) relating to net customer credits after applying unbilled (comprising customer credits of £530 million (2023 £895 million)) in excess of £246 million (2023 £362 million) of unbilled receivables. Further information on unbilled payables, including sensitivity, is detailed in Note 3.

20 DEFERRED TAX – GROUP AND COMPANY

(a) Deferred tax – Group

	Notes	Property, plant and equipment £m	Derivative financial instruments £m	Retirement benefits £m	Trading losses £m	Other temporary differences £m	Total £m
At 1 January 2023		1,504	(147)	61	(36)	(27)	1,355
Charge/(credit) to the Income statement		158	(8)	–	36	3	189
Recorded in the Statement of comprehensive income	(i)	–	142	(30)	–	–	112
At 31 December 2023 and 1 January 2024	(ii)	1,662	(13)	31	–	(24)	1,656
Charge/(credit) to the Income statement		194	–	–	–	(2)	192
Recorded in the Statement of comprehensive income	(i)	–	16	–	–	–	16
At 31 December 2024		1,856	3	31	–	(26)	1,864

(i) The Group has recognised the deferred tax on the surplus of the ScottishPower pension scheme at 25% because the expected manner of recovery of the surplus is via reduced future contributions. Under IAS 12 ‘Income Taxes’, the applicable rate in this circumstance is the prevailing Corporation Tax rate.

(ii) Legislation was enacted on 10 June 2021 under the Finance Act 2021 that increased the UK Corporation Tax rate to 25% from 1 April 2023. Accordingly, the deferred tax balances at 31 December 2023 were provided at 25%, to reflect the rate that the temporary differences were expected to reverse at.

(iii) At 31 December 2024, the Group had unutilised capital losses of £34 million (2023 £34 million). No deferred tax asset was recognised in either year due to the unpredictability of suitable future profit streams against which these losses may be utilised.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

20 DEFERRED TAX – GROUP AND COMPANY *continued*

(b) Tax recognised directly in equity – Group

A breakdown of tax recognised directly in equity is set out below:

	Note	2024 £m	2023 £m
Relating to current tax:			
Retirement benefits movements	(i)	(28)	(29)
Cash flow hedge movements		(2)	11
		(30)	(18)
		2024 £m	2023 £m
Relating to deferred tax:			
Retirement benefits movements	(i)	–	(30)
Cash flow hedge movements		16	142
		16	112

- (i) The tax on Retirement benefits movements is comprised of a Corporation Tax credit of £28 million (2023 £29 million) arising due to the excess of pension contributions over costs and a deferred tax credit of £nil (2023 deferred tax credit of £30 million) relating to actuarial gains.

(c) Deferred tax – Company

	Note	Property, plant and equipment £m	Retirement benefits £m	Other temporary differences £m	Total £m
At 1 January 2023		1	(61)	3	(57)
Credit to the Income statement		(3)	–	(1)	(4)
Recorded in the Statement of comprehensive income		–	30	–	30
At 31 December 2023 and 1 January 2024	(i)	(2)	(31)	2	(31)
Credit to Income statement		(6)	–	2	(4)
At 31 December 2024		(8)	(31)	4	(35)

- (i) Legislation was enacted on 10 June 2021 under the Finance Act 2021 that increased the UK Corporation tax rate to 25% from 1 April 2023. Accordingly, the deferred tax assets at 31 December 2023 were provided at 25%, to reflect the rate that the temporary differences were expected to reverse at.
- (ii) At 31 December 2024, the Company had unutilised capital losses of £5 million (2023 £5 million). No deferred tax has been recognised in the financial statements due to the unpredictability of suitable future profit streams against which these losses may be utilised.

21 REVENUE – GROUP

(a) Disaggregation of revenue

	Note	2024			Total £m
		Energy Networks £m	Renewable production £m	Customer business £m	
Revenue arising from contracts with customers in scope of IFRS 15:					
Electricity distribution		1,015	–	–	1,015
Electricity transmission		502	–	–	502
Transfers of assets from customers		47	–	–	47
Supply of electricity		–	–	3,299	3,299
Supply of gas		–	–	1,388	1,388
Other		–	43	41	84
		1,564	43	4,728	6,335
Revenue arising from contracts in scope of IAS 20:					
Revenue received from government support schemes	(i)	–	–	(23)	(23)
CfD		–	230	–	230
		–	230	(23)	207
Revenue arising from contracts in scope of IFRS 9:					
Derivative income		–	(22)	63	41
		1,564	251	4,768	6,583

SCOTTISH POWER UK PLC
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31 December 2024

21 REVENUE – GROUP *continued*

	Notes	2023			Total £m
		Energy Networks £m	Renewable production £m	Customer business £m	
Revenue arising from contracts with customers in scope of IFRS 15:					
Electricity distribution		876	–	–	876
Electricity transmission		513	–	–	513
Transfers of assets from customers		49	–	–	49
Supply of electricity	(ii)	–	–	4,445	4,445
Supply of gas	(ii)	–	–	1,710	1,710
Other		–	64	37	101
		1,438	64	6,192	7,694
Revenue arising from contracts in scope of IAS 20:					
Revenue received from government support schemes	(i)	–	–	1,426	1,426
CfD		–	240	–	240
		–	240	1,426	1,666
Revenue arising from contracts in scope of IFRS 9:					
Derivative income		–	(20)	114	94
		1,438	284	7,732	9,454

(i) Revenue recognised for the year ended 31 December 2024 in respect of the EPG, EBDS, and EBRs schemes (accounted for as government grants) was £(25) million (2023 £1,323 million), £2 million (2023 £12 million) and £nil (2023 £91 million). The debit to revenue in year in relation to revenue from government schemes is primarily attributable to the ongoing settlement and reconciliation process for the EPG scheme.

(ii) Revenue received for the year ended 31 December 2023 in respect of the EBSS and domestic and non-domestic AFP schemes (accounted for under IFRS 15) was £509 million, £40 million, and £5 million respectively. All revenue received in respect of government schemes accounted for under IFRS 15 was offset by an equal amount paid to the customer. No revenue was recognised in respect of these schemes for the year ended 31 December 2024 as they are now closed.

Revenue recognition accounting policies for the above disclosed revenue streams are disclosed at Note 4H3, Note 4L and Note 4Q. All revenue arises from operations within the UK and Republic of Ireland. Revenue from outside the UK is not deemed material enough to warrant separate disclosure.

(b) Contract balances

	Notes	31 December 2024 £m	31 December 2023 £m	31 December 2022 £m
Receivables	(i), (ii)	931	1,172	1,120
Contract liabilities	(iii), (iv)	(2,075)	(2,266)	(2,097)

(i) Included within Trade and other receivables (refer to Note 12).

(ii) £109 million (2023 £201 million) of net expected credit losses on trade and other receivables were recognised during the year on receivables arising from the Group's contracts with customers.

(iii) Contract liabilities comprises the entire balance of deferred income (refer to Note 15) with the remainder included within Trade and other payables (refer Note 19).

(iv) The amount of contract liabilities recognised as revenue in the year is £553 million (2023 £494 million). The remaining movement in contract liabilities relates to new liabilities recognised in the year.

22 EMPLOYEE INFORMATION – GROUP AND COMPANY

(a) Staff costs

	Notes	Group		Company	
		2024 £m	2023 £m	2024 £m	2023 £m
Wages and salaries		422	368	53	48
Social security costs		45	39	6	5
Pension and other costs	(i), (ii)	39	61	(18)	11
		506	468	41	64
Capitalised staff costs		(231)	(190)	(2)	(1)
		275	278	39	63

(i) The Company's pension contributions in the year were £6 million (2023 £5 million). The Company contributes to the Group's defined benefit and defined contribution schemes in the UK. Full details of these schemes can be found in Note 9.

(ii) Pension and other costs includes a credit of £30 million past service costs in relation to Manweb best endeavours, refer to Note 9 for further information.

(b) Employee numbers

The average numbers of employees (full and part-time) employed by the Group, including UK-based directors, are set out below. The average number for the Company are the same as those within the Corporate category.

	2024	2023
Energy Networks	3,834	3,526
Renewable production	915	808
Customer business	1,076	1,084
Corporate	586	579
	6,411	5,997

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

23 TAXES OTHER THAN INCOME TAX – GROUP

	Notes	2024 £m	2023 £m
Property taxes		141	130
Other taxes	(a)	229	182
Electricity Generator Levy	(b)	130	56
		500	368

(a) Other taxes mainly comprises obligations specific to the energy industry, principally ECO scheme and Warm Home Discount scheme.

(b) The Electricity Generator Levy is a temporary 45% charge on exceptional receipts generated from low-carbon UK power generation meeting certain conditions. The levy is in effect until 31 March 2028.

24 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS – GROUP

	2024 £m	2023 £m
Property, plant and equipment depreciation charge	618	660
Right-of-use asset depreciation charge	43	39
Intangible asset amortisation charge	93	97
Charges and provisions, allowances and impairment of assets	45	27
	799	823
Capitalised right-of-use asset depreciation	(9)	(9)
	790	814

25 FINANCE INCOME – GROUP

	2024 £m	2023 £m
Interest on bank and other deposits	9	15
Interest receivable from related parties	104	100
Net interest on retirement benefit obligations	10	15
Foreign exchange gains	1	2
Fair value and other gains on non-hedging derivatives	10	9
Fair value gains on contingent consideration	–	4
	134	145

26 FINANCE COSTS – GROUP

	Note	2024 £m	2023 £m
Interest on bank loans and overdrafts		1	2
Interest on amounts due to related parties		348	268
Interest on other borrowings		82	118
Net impairment of financing and investment instruments		1	–
Unwinding of discount on provisions		11	10
Unwinding of discount on software license liabilities		1	1
Interest on lease liabilities		21	20
Foreign exchange losses		–	1
Fair value and other losses on non-hedging derivatives		12	46
		477	466
Capitalised interest	(a)	(115)	(47)
		362	419

(a) The tax relief on the capitalised interest for the year ended 31 December 2024 was £29 million (2023 £11 million).

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

27 INCOME TAX – GROUP

	2024 £m	2023 £m
Current tax:		
UK Corporation Tax charge on profits for the year	289	231
Adjustments in respect of prior years	(8)	1
Current tax for the year	281	232
Deferred tax:		
Origination and reversal of temporary differences	181	199
Adjustments in respect of prior years	11	(10)
Deferred tax for the year	192	189
Income tax expense for the year	473	421

The tax charge on profit on ordinary activities for the year varied from the standard rate of UK Corporation Tax applicable to Group companies as follows:

	2024 £m	2023 £m
Corporation Tax at 25% (2023 23.5%)	430	385
Adjustments in respect of prior years	3	(9)
Impact of tax rate change on current year charge	2	9
Non-deductible expenses and other permanent differences	38	36
Income tax expense for the year	473	421

Legislation was enacted on 10 June 2021 under the Finance Act 2021 that increased the UK Corporation Tax rate to 25% from 1 April 2023. Accordingly, the deferred tax balances at 31 December 2023 were provided at 25%, to reflect the rate that the temporary differences were expected to reverse at.

Comparison of UK Corporation Tax charge and payments	2024 £m	2023 £m
UK Corporation Tax charge on profits for the year	289	231
UK Corporation Tax in the Statement of cash flows	142	52
Current tax liability recognised in the Statement of financial position	186	81

The amount of Corporation Tax paid in the year, shown in the Consolidated statement of cash flows, and the amount of the Corporation Tax charge for the year are not the same. The four installment payments that are required during the year are based on forecasts of the total Corporation Tax charged in the Consolidated income statement and the Consolidated statement of comprehensive income. In addition, the amount in the Consolidated statement of cash flows also includes any refunds received or payments made relating to Corporation Tax liabilities of prior years.

Pillar Two model rules

The ultimate parent company of the Group is Iberdrola, S.A., a company based in Spain. Iberdrola is the parent company of a global group within the scope of the Organisation for Economic Co-operation and Development's Pillar Two model rules and is therefore responsible for calculating the multinational top-up tax for the Iberdrola Group. The Group is not within the scope of multi-national top-up tax.

The UK has enacted legislation to incorporate the Pillar Two model rules with effect from 1 January 2024. This includes domestic top-up tax ("DTT") legislation. The UK companies in the Iberdrola Group are within the scope of the DTT legislation and an assessment has been undertaken to determine if there is a risk of exposure to UK DTT. Based on the prescribed rules in the Pillar Two legislation, the calculated UK effective tax rate is assessed to be above 15% and thus no UK DTT charge is expected.

The Group has applied the exception available in IAS 12 'Income Taxes: International Tax Reform – Pillar Two Model Rules' and has not recognised or disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes.

28 DIVIDENDS – GROUP AND COMPANY

	2024 pence per ordinary share	2023 pence per ordinary share	2024 £m	2023 £m
Interim dividend paid	9	11	850	780

29 CONTINGENT LIABILITIES – GROUP

From time to time, regulators, including Ofgem and the Health and Safety Executive, open inquiries with the Group in relation to compliance with licenses, laws and regulations. ScottishPower's businesses are also party to various other legal claims, actions and complaints, certain of which may involve material amounts.

Where the outflow of resources is considered probable, and a reasonable estimate can be made of the amount of the present obligation, a provision is recognised for these amounts (refer to Note 16). Where an outflow is not probable, but is possible, or a reasonable estimate of the present obligations cannot be made, a contingent liability exists. The Group currently believes that resolution of these matters will not have a materially adverse effect on the Consolidated accounts.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

30 COMMITMENTS – GROUP AND COMPANY

	Group 2024			Group 2023			Company 2024	Company 2023
	Capital £m	Long-term energy purchase contracts (Note (a)) £m	Other £m	Capital £m	Long-term energy purchase contracts (Note (a)) £m	Other £m	Contractual Commitments £m	Contractual Commitments £m
Less than one year	2,110	1,237	413	1,408	1,805	470	9	10
One to two years	2,256	56	516	1,319	105	295	3	2
Two to three years	691	2	183	1,118	5	63	1	1
Three to four years	283	–	230	137	–	50	–	–
Four to five years	96	–	343	36	–	47	–	–
More than five years	–	–	46	47	–	70	–	–
	5,436	1,295	1,731	4,065	1,915	995	13	13

(a) Long-term energy purchase contracts are used as part of the Group's energy resource portfolio. The Group manages its energy resource requirements by integrating long-term firm, short-term and spot market purchases with its own generating resources to manage volume and price volatility and maximise value across the energy value chain.

31 RELATED PARTY TRANSACTIONS – GROUP AND COMPANY

(a) Transactions and balances arising in the normal course of business – Group

	2024					2023			
	Ultimate parent (Iberdrola, S.A.) £m	Immediate parent (Scottish Power Limited) £m	Other Iberdrola Group companies £m	Joint ventures £m	Associates £m	Ultimate parent (Iberdrola, S.A.) £m	Immediate parent (Scottish Power Limited) £m	Other Iberdrola Group companies £m	Joint ventures £m
Types of transaction									
Sales and rendering of services	–	3	20	1	–	–	2	16	3
Purchases and receipt of services	(52)	(1)	(21)	(14)	(34)	(33)	(1)	(17)	(15)
Finance income (excluding non-hedging derivatives)	–	104	–	–	–	–	100	–	–
Finance costs (excluding non-hedging derivatives)	–	(324)	(24)	–	–	–	(236)	(32)	–
Net gains/(losses) on non-hedging derivatives	1	–	–	–	–	(8)	(37)	–	–
Changes in the value of cash flow hedges	(8)	(18)	–	–	–	–	(44)	–	–
Dividends paid	–	(850)	–	–	–	–	(780)	–	–
Balances outstanding									
Trade and other receivables	–	229	20	3	–	1	241	19	3
Loans and interest receivable	–	1,100	–	–	–	–	1,015	–	–
Derivative financial assets	–	3	–	–	–	1	2	–	–
Trade and other payables	–	(2)	(1)	(2)	(2)	–	(2)	–	(1)
Loans and interest payable	–	(7,593)	(381)	(3)	–	–	(4,847)	(381)	(3)
Derivative financial liabilities	(10)	(293)	–	–	–	(3)	(25)	–	–

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received in relation to inter-group transactions.

(b) Remuneration of key management personnel – Group

The remuneration of the key management personnel of the Group is set out below. The remuneration of all eleven (2023 eleven) key management personnel who served during the year is included within staff costs at Note 22(a).

	2024 £m	2023 £m
Short-term employee benefits	4.0	4.3
Post-employment benefits	0.5	0.2
Share-based payments	3.5	3.4
	8.0	7.9

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

31 RELATED PARTY TRANSACTIONS – GROUP AND COMPANY *continued*

(c) Directors' remuneration – Group and Company

The remuneration of the directors who provided qualifying services is set out below. All of the directors were remunerated directly by the Company during both years.

	2024 £000	2023 £000
Aggregate remuneration in respect of qualifying services	1,533	1,107
Aggregate contributions to a defined contribution pension scheme	22	21
Number of directors who exercised share options	5	4
Number of directors who received shares under a long-term incentive scheme	3	3
Number of directors accruing retirements benefits under a defined benefit scheme	3	2
Number of directors accruing retirement benefits under a defined contribution scheme	1	1
Highest paid director	2024 £000	2023 £000
Aggregate remuneration	499	405
Accrued pension benefit	39	–

- (i) The highest paid director received a benefit under a long-term share incentive scheme in both years.
(ii) The highest paid director exercised share options in both years.

(d) Immediate and ultimate parent company – Group and Company

The immediate parent company is Scottish Power Limited which is also the parent company of the smallest group in which the results of the Company are consolidated. Copies of the consolidated accounts of Scottish Power Limited may be obtained from its registered office at 320 St. Vincent Street, Glasgow, Scotland, G2 5AD.

The directors regard Iberdrola, S.A. (incorporated in Spain) as the ultimate parent company, which is also the parent company of the largest group in which the results of the Company are consolidated. Copies of the consolidated accounts of Iberdrola, S.A. may be obtained from its registered office at Iberdrola, S.A., Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain.

In addition to the parent undertakings disclosed above, the Group's other related undertakings are disclosed in Appendix 1.

32 AUDITOR'S REMUNERATION – GROUP AND COMPANY

	Notes	2024 £m	2023 £m
Audit of the Consolidated and Company annual accounts	(a)	1.0	0.9
Audit of the Company's subsidiaries pursuant to legislation		3.2	3.0
Audit of the Group's pension schemes pursuant to legislation	(b)	0.2	0.1
Audit fees		4.4	4.0
Audit-related assurance services		0.1	0.1
		4.5	4.1

- (a) Auditor remuneration is billed on a group basis and not recharged to the Company. Of the total Group audit fee for the year ended 31 December 2024, £0.3 (2023 £0.3 million) related to the audit of the Company accounts.
(b) The Group's pension schemes paid the fees of £0.2 million (2023 £0.1 million) relating to their audit.

33 EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of NWEN Group

On 20 March 2025 the CMA cleared the Group's acquisition of NWEN and the IEO was lifted. The Group now have control of NWEN and will consolidate NWEN as a subsidiary with a non-controlling interest from this date. The consideration payable will be the fair value of the previously held equity investment in NWEN, no additional cash consideration is payable. The acquisition is expected to have a material impact on the Group's results for the year ended 31 December 2025.

Given the proximity of the acquisition date to the date on which the financial statements were authorised, the Group is not yet able to provide certain disclosures required by IFRS 3 'Business Combinations', including the fair value of assets and liabilities acquired, which have not yet been ascertained. These disclosures will be presented within the Accounts for the year ended 31 December 2025.

East Anglia Three business

During February 2025, the Group approved a plan to sell a 50% stake in its East Anglia Three business, which forms part of the Group's Renewables production segment.

At 31 December 2024, an assessment was undertaken and as a transaction was not considered highly probable, the East Anglia Three business was not deemed held for sale at the year end.

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

APPENDIX 1: SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES – GROUP AND COMPANY

The table below sets out details of the subsidiaries, joint arrangements and associates of the Group and the Company at 31 December 2024. These are all included in the Consolidated financial statements of the Group. All entities are indirect holdings unless specified. Shares owned by the Group are all ordinary shares.

Name	Principal activities	Registered office and country of incorporation (Note (xiii))	Equity interest 2024	2023
Corporate				
Subsidiary				
Sphere Energy Connect Limited	Development of independent distribution network company	(A)	100% (i), (ii)	–
Energy Networks				
Subsidiaries				
Scottish Power Energy Networks Holdings Limited	Holding company	(A)	100% (i)	100%
Derryherk Limited	Provision of network software services	(A)	100% (iii)	–
SP Distribution plc	Ownership and operation of distribution network within the Central Belt and Southern Scotland area	(A)	100%	100%
SP Manweb plc	Ownership and operation of distribution network within Cheshire, Merseyside, North Shropshire and North Wales area	(B)	100%	100%
SP Power Systems Limited	Provision of asset management services	(A)	100%	100%
SP Transmission plc	Ownership and operation of transmission network within the Central Belt and Southern Scotland area	(A)	100%	100%
Joint venture				
NGET/SPT Upgrades Limited	Operation of offshore Western HVDC Transmission link	(C)	50% (iv)	50%
Joint operation				
Eastern Green Link 1 Limited	Development of offshore Eastern HVDC Transmission link	(C)	50% (iv),(v)	50%
Associates				
North West Electricity Networks (Jersey) Limited	Holding company	(D)	88% (vi)	–
Class Electricity Limited	Dormant	(E)	88% (vi)	–
Electricity North East (Construction and Maintenance) Limited	Dormant	(E)	88% (vi)	–
Electricity North West (Construction and Maintenance) Limited	Construction, operation and maintenance of network	(E)	88% (vi)	–
Electricity North West Limited	Ownership and operation of network in the North West of England	(E)	88% (vi)	–
Electricity North West Number 1 Company Limited	Dormant	(E)	88% (vi)	–
Electricity North West Property Limited	Development of intellectual property rights	(E)	88% (vi)	–
Electricity North West Services Limited	Metering and ground maintenance activities	(E)	88% (vi)	–
ENW (ESPS) Pensions Trustees Limited	Dormant	(E)	88% (vi)	–
ENW Capital Finance Plc	Financing company	(E)	88% (vi)	–
NWEN Finance Plc	Financing company	(E)	88% (vi)	–
North West Electricity Networks (Finance) Limited	Holding company	(E)	88% (vi)	–
North West Electricity Networks (Holdings) Limited	Holding company	(E)	88% (vi)	–
North West Electricity Networks (UK) Limited	Holding company	(E)	88% (vi)	–
North West Electricity Networks PLC	Financing company	(E)	88% (vi)	–
ENW Finance Plc	Financing company	(E)	88% (vi)	–
NWEN Group Limited	Holding company	(E)	88% (vi)	–

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

APPENDIX 1: SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES – GROUP AND COMPANY *continued*

Name	Principal activities	Registered office and country of incorporation (Note (xiii))	Equity interest 2024	2023
Renewable production				
Subsidiaries				
ScottishPower Renewable Energy Limited	Holding company	(A)	100% (i)	100%
Blaenau Gwent Solar Limited	Development of a solar farm	(F)	100%	100%
Bryn Henllys SF Limited	Development of a solar farm	(F)	100%	100%
Coldham Windfarm Limited	Operation of an onshore wind farm	(B)	80%	80%
Cumberhead West Wind Farm Ltd.	Development and construction of an onshore wind farm	(A)	100% (vii)	100%
Douglas West Extension Limited	Development of an onshore wind farm	(A)	– (viii)	72%
Down Barn Farm SF Limited	Development of a solar farm	(F)	100%	100%
East Anglia One Limited	Operation of an offshore wind farm	(G)	60%	60%
East Anglia One North Limited	Development of an offshore wind farm	(G)	100%	100%
East Anglia Three Holdings Limited	Dormant	(G)	100% (ix)	–
East Anglia Three Limited	Development and construction of an offshore wind farm	(G)	100%	100%
East Anglia Two Limited	Development and construction of an offshore wind farm	(G)	100%	100%
Grafton Underwood Solar Limited	Development of a solar farm	(F)	100%	100%
Hagshaw Hill Repowering Ltd	Development and construction of an onshore wind farm	(A)	100%	100%
Longney Solar Limited	Development of a solar farm	(F)	100%	100%
MachairWind Limited	Development of an offshore wind farm	(A)	100%	100%
Milltown Airfield Solar PV Limited	Development of a solar farm	(F)	100%	100%
Pipplepen Solar Limited	Development of a solar farm	(F)	100% (x)	100%
Ranksborough Solar Limited	Development of a solar farm	(F)	100%	100%
ScottishPower Renewables (UK) Limited	Development, construction and operation of onshore wind and solar farms and battery storage	(H)	100%	100%
ScottishPower Renewables (WODS) Limited	Operation of an offshore wind farm	(A)	100%	100%
Sparrow Lodge Solar Limited	Development of a solar farm	(F)	100%	100%
Speyslaw Solar Limited	Development of a solar farm	(F)	100%	100%
Thurlaston Solar Limited	Development of a solar farm	(F)	100%	100%
Tuckey Farm Solar Limited	Development of a solar farm	(F)	100%	100%
Wood Lane Solar Limited	Development of a solar farm	(F)	100%	100%
Joint ventures				
CeltPower Limited	Operation of an onshore wind farm	(B)	50%	50%
East Anglia Offshore Wind Limited	Commercial operation of offshore meteorological mast	(G)	50%	50%
Morecambe Wind Limited	Provision of operational services	(I)	50%	50%
Joint operations				
CampionWind Limited	Development of an offshore wind farm	(J)	50%	50%
MarramWind Limited	Development of an offshore wind farm	(J)	50%	50%

SCOTTISH POWER UK PLC
NOTES TO THE ACCOUNTS *continued*
31 December 2024

APPENDIX 1: SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES – GROUP AND COMPANY *continued*

Name	Principal activities	Registered office and country of incorporation	Equity interest	
		(Note (xiii))	2024	2023
Customer business				
Subsidiaries				
Scottish Power Retail Holdings Limited	Holding company	(A)	100% (i)	100%
ScottishPower (DCL) Limited	Holding company	(B)	100%	100%
ScottishPower Energy Management (Agency) Limited	Agent for energy management activity of ScottishPower Energy Management Limited and Scottish Power UK plc	(A)	100%	100%
ScottishPower Energy Management Limited	Wholesale energy management company engaged in purchase and sale of electricity and gas	(A)	100%	100%
ScottishPower Energy Retail Limited	Supply of electricity and gas to domestic and business customers as well as Smart Solutions activities	(A)	100%	100%
ScottishPower Generation (Assets) Limited	Asset owning company	(A)	100%	100%
ScottishPower (SCPL) Limited	Holding company	(B)	100%	100%
SP Dataserve Limited	Data collection, data aggregation, meter operation and revenue protection	(A)	100%	100%
SP Green Hydrogen Limited	Development of green hydrogen facilities	(A)	100% (xi)	–
SP Smart Meter Assets Limited	Provider of smart meter assets and services	(A)	100%	100%
Dormant subsidiaries now dissolved				
ScottishPower Investments Limited	Dissolved	(K)	– (i), (xii)	–
ScottishPower Renewables (UK Assets) Limited	Dissolved	(K)	– (xii)	–
SP Gas Transportation Cockenzie Limited	Dissolved	(K)	– (xii)	–
SP Gas Transportation Hatfield Limited	Dissolved	(L)	– (xii)	–
SP Network Connections Limited	Dissolved	(M)	– (xii)	100%

- (i) The investment in this company was a direct shareholding of Scottish Power UK plc.
- (ii) Sphere Energy Connect Limited was incorporated on 27 June 2024.
- (iii) On 27 September 2024, SP Power Systems Ltd, a subsidiary of the Group, acquired 100% of the share capital of Derryherk Limited.
- (iv) NGET/SPT Upgrades Limited and Eastern Green Link 1 Limited both have a non-coterminous reporting date of 31 March, which is a contractual obligation as agreed in the joint operating agreement and shareholders' agreement for these companies respectively.
- (v) On 22 August 2023, SP Transmission plc, a subsidiary of the Group, acquired 50% of the share capital in Eastern Green Link 1 Limited.
- (vi) On 22 October 2024, the Group completed the acquisition of an 88% stake in the share capital of NWEN, which holds directly and indirectly 100% of the share capital in various entities in the NWEN Group (refer to Note 10). As set out in Note 3A, the Group's investment in NWEN at 31 December 2024 was accounted for as an investment in an associate and, therefore, also its subsidiaries. This table shows the Group's equity interest in these entities. All entities in the NWEN Group have a non-coterminous reporting date of 31 March. The Group holds equal proportions of ordinary and preference shares in NWEN. On 20 March 2025 the CMA cleared the acquisition and the IEO was lifted, therefore all entities in the NWEN Group will be accounted for as subsidiaries from this date.
- (vii) ScottishPower Renewables (UK) Limited ("SPRUKL"), a subsidiary of the Group, held 72% of the share capital in Cumberhead West Wind Farm Ltd. until 7 March 2023 when the Group acquired the remaining 28% of share capital.
- (viii) On 2 February 2024, SPRUKL sold its 72% holding in Douglas West Extension Limited.
- (ix) East Anglia Three Holdings Ltd was incorporated on 27 November 2024.
- (x) On 21 June 2023, SPRUKL acquired the entire share capital of Pipplepen Solar Limited.
- (xi) SP Green Hydrogen Limited was incorporated on 28 June 2024.
- (xii) SP Gas Transportation Hatfield Limited, ScottishPower Renewables (UK Assets) Limited, SP Gas Transportation Cockenzie Limited, ScottishPower Investments Limited and SP Network Connections Limited were dissolved on 8 February, 12 April, 18 April, 11 December 2023 and 12 August 2024 respectively.
- (xiii) The registered offices of the subsidiaries and joint arrangements are as listed below, along with their countries of incorporation. Where a company's registered office is in England, it is registered in England and Wales.
- | | |
|---|--|
| (A) 320 St. Vincent Street, Glasgow, G2 5AD, Scotland | (H) The Soloist, 1 Lanyon Place, Belfast, BT1 3LP, Northern Ireland |
| (B) 3 Prenton Way, Prenton, CH43 3ET, England | (I) 5 Howick Place, London, SW1P 1WG, England |
| (C) 1-3 Strand, London, WC2N 5EH, England | (J) 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland |
| (D) 44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands | (K) Johnston Carmichael, 227 West George Street, Glasgow, G2 2ND, Scotland |
| (E) Borron Street, Stockport, SK1 2JD, England | (L) Johnson Carmichael LLP, 7-11 Melville Street, Edinburgh, EH3 7PE, Scotland |
| (F) 4th Floor, 1 Tudor Street, London, EC4Y 0AH, England | (M) Johnston Carmichael LLP, Birchin Court, 20 Birchin Lane, London, EC3V 9DU, England |
| (G) 3rd Floor, 1 Tudor Street, London, EC4Y 0AH, England | |

For those entities incorporated in Scotland, Northern Ireland and England and Wales, the principal place of business is considered to be the UK; for all other entities, the country of incorporation is the principal place of business.

Scottish Power UK plc

Registered office: 320 St. Vincent Street, Glasgow, Scotland, G2 5AD

Registered in Scotland: No. SC117120