Compliance System Transparency Report 2024

ScottishPower Compliance Unit

SCOTTISH POWER UK PLC
320 St. Vincent Street,
Glasgow,
Scotland,
G2 5AD   Our ref: SM/DM/SP

Transmittal Letter

July 2025

Dear Recipient

Report of the factual findings for agreed upon procedures

Below is a copy of our Independent Auditor's Agreed Upon Procedures Report (the "Report") on aspects of Scottish Power Limited's 2024 Compliance System Transparency Report which has been prepared by us, Johnston Carmichael LLP ("Johnston Carmichael"), in accordance with the specific agreement between us and Scottish Power UK Plc ("ScottishPower").

We agree that ScottishPower may disclose the attached Report to you, on the basis set out in this letter, to enable you to verify that a Report has been commissioned by ScottishPower and issued by us in connection with specific procedures on their 2024 Compliance System Transparency Report, subject to the remaining paragraphs of this letter, to which your attention is drawn.

Our work was carried out for the Compliance Unit of Scottish Power Limited and designed to meet their agreed requirements and the engagement activities were determined by their needs at the time. The Report should not be regarded as suitable to be used or relied upon by any party other than ScottishPower for any purpose or in any context.

In consenting to the disclosure of the Report to you, we do not assume any responsibility to you in respect of our work for ScottishPower or the Report. To the fullest extent permitted by law, Johnston Carmichael accepts no liability in respect of any such matters to you. If you rely on the Report, you do so at your own risk.

The Report will be issued on the basis that it must not be recited or referred to or disclosed, in whole or in part, in any other document or to any other party, without the express prior written permission of Johnston Carmichael.

Yours faithfully

Johnston Carmichael

Johnston Carmichael LLP
Chartered Accountants
London
17 July 2025

JOHNSTON CARMICHAEL

The Directors
SCOTTISH POWER UK PLC
320 St. Vincent Street,
Glasgow,
Scotland,
G2 5AD   Our ref: SM/DM/SP

Dear Sirs

Report of the factual findings for agreed upon procedures in respect of Scottish Power Limited's 2024 Compliance System Transparency Report

This report is produced in accordance with the terms of our agreement dated 23 May 2025 to assist you in connection with the 2024 Compliance System Transparency Report ("the 2024 Transparency Report") produced by Scottish Power Limited.

The Compliance Unit of Scottish Power Limited (the "Company"), is responsible for the preparation of the 2024 Transparency Report, including the completeness, accuracy and method of presentation in accordance with the Company's framework.

We have performed the procedures agreed with you and enumerated below. Our work was carried out with regard to the guidance contained in International Standard on Related Services 4400 "Engagements to Perform Agreed-Upon-Procedures regarding Financial Information". The procedures were performed solely to assist you in verifying that the data in the 2024 Transparency Report were accurate. We performed the following procedures for the period 1 January 2024 to 31 December 2024 as set out below:

	Indicator	Applicable section (of 2024 Transparency Report)	Procedures to be performed
1	Number of Compliance Officer appearances before respective governing bodies	2.1 Governance	1. Obtain a report from the Company's central Compliance reporting tool of Compliance officer appearances before respective governance bodies in 2024. 2. Agree the number of Compliance officer appearances before respective governance bodies to the Transparency Report.
2	Number of SP Compliance employees	2.2 Budget and resources	1. Obtain a report of the Company's Compliance employees in 2024. 2. Confirm identified employees are assigned to Company's Compliance in the internal directory. 3. Agree the number of Compliance employees at year-end 2024 to the Transparency Report.
3	SP Compliance Unit budget	2.2 Budget and resources	1. Obtain a report of the Company's Compliance budget for 2024. 2. Obtain minutes and documentation evidencing the

			approval of the Company's 2024 Compliance budget. 3. Agree the 2024 Company Compliance budget to the Transparency Report.
4	SP Compliance Unit training	2.3 Professional Qualifications	1. Obtain a report from the Company's central Compliance reporting tool of the Company's Compliance employees training completed in 2024. 2. Agree the 2024 training hours figure to the Transparency Report.
5	Third party evaluations	5.1 Third parties	1. Obtain a report from the Company's central Compliance reporting tool of third-party evaluations completed in 2024. 2. Agree the Company's 2024 compliance third party evaluations figure to the Transparency Report. 3. From a sample of 5 third party evaluations selected at random from the report obtained in point 1 above, obtain documentation supporting the evaluations made.
6	Conflicts of interest	5.2 Professionals	1. Obtain a report from the Company's central Compliance reporting tool of conflicts of interest captured in 2024. 2. Agree the 2024 Company Compliance conflicts of interest figure to the Transparency Report. 3. From a sample of 5 conflicts of interest, selected randomly from the report obtained in point 1 above, obtain documentation supporting the evaluation carried out.
7	Gifts and hospitality	5.2 Professionals	1. Obtain a report from the Company's central Compliance reporting tool of gifts and hospitality communicated in 2024. 2. Agree the Company's 2024 Compliance gifts and hospitality figure to the Transparency Report. 3. From a sample of 5 gifts and hospitality, selected randomly from the report obtained in point 1 above, obtain documentation supporting the evaluation carried out.
8	Training delivered	7.1 Training	1. Obtain a report from the Company's central Compliance reporting tool of the training sessions delivered by Company Compliance in 2024. 2. Obtain listing of personnel trained by Company's Compliance team across each training event in 2024. 3. Agree the 2024 number of personnel trained, and number of training events by Company Compliance team to the Transparency Report.
9	Communications	7.2 Communication	1. Obtain a report from the Company's central Compliance reporting tool of the Company's Compliance team's internal and external communication activities carried out in 2024. 2. Agree the Company's 2024 Compliance communication figures to the Transparency Report.

			3.	From a sample of 5 communication activities, selected at random from the report obtained in point 1 above, obtain documentation supporting the communications made.
10	Claims	8.1 Claims	1.	Obtain a report from the Company's central Compliance reporting tool of Compliance claims received through ethics mailbox reporting channels, indicating for each claim whether it was admitted and the categorisation allocated to the claim.
			2.	Agree the Company's 2024 Compliance claims figures to the Transparency Report.
11	Enquiries	8.2 Enquiries	1.	Obtain a report from the Company's central Compliance reporting tool of Compliance enquiries received in 2024.
			2.	Agree the 2024 Compliance enquiries figures to the Transparency Report.
12	Accreditations	9.3 Accreditations and External Reviews	1.	Obtain a report from the Company's central Compliance reporting tool of Compliance internal and external reviews received in 2024.
			2.	Agree the Company's 2024 Compliance accreditations to the Transparency Report.

We report our findings below:

Indicator		Procedures to be performed		Our Findings
1	Number of Compliance Officer appearances before respective governing bodies	1.	Obtain a report from the Company's central Compliance reporting tool of Compliance officer appearances before respective governance bodies in 2024.	No differences noted
		2.	Agree the number of Compliance officer appearances before respective governance bodies to the Transparency Report.	
2	Number of SP Compliance employees	1.	Obtain a report of the Company's Compliance employees in 2024.	No differences noted
		2.	Confirm identified employees are assigned to Company's Compliance in the internal directory.	
		3.	Agree the number of Compliance employees at year-end 2024 to the Transparency Report.	
3	SP Compliance Unit budget	1.	Obtain a report of the Company's Compliance budget for 2024.	No differences noted
		2.	Obtain minutes and documentation evidencing the approval of the Company's 2024 Compliance budget.	
		3.	Agree the 2024 Company Compliance budget to the Transparency Report.	

4	SP Compliance Unit training	1. Obtain a report from the Company's central Compliance reporting tool of the Company's Compliance employees training completed in 2024. 2. Agree the 2024 training hours figure to the Transparency Report.	No differences noted
5	Third party evaluations	1. Obtain a report from the Company's central Compliance reporting tool of third-party evaluations completed in 2024. 2. Agree the Company's 2024 compliance third party evaluations figure to the Transparency Report. 3. From a sample of 5 third party evaluations selected at random from the report obtained in point 1 above, obtain documentation supporting the evaluations made.	No differences noted
6	Conflicts of interest	1. Obtain a report from the Company's central Compliance reporting tool of conflicts of interest captured in 2024. 2. Agree the 2024 Company Compliance conflicts of interest figure to the Transparency Report. 3. From a sample of 5 conflicts of interest, selected randomly from the report obtained in point 1 above, obtain documentation supporting the evaluation carried out.	Differences noted – see **finding 1** below.
7	Gifts and hospitality	1. Obtain a report from the Company's central Compliance reporting tool of gifts and hospitality communicated in 2024. 2. Agree the Company's 2024 Compliance gifts and hospitality figure to the Transparency Report. 3. From a sample of 5 gifts and hospitality, selected randomly from the report obtained in point 1 above, obtain documentation supporting the evaluation carried out.	No differences noted
8	Training delivered	1. Obtain a report from the Company's central Compliance reporting tool of the training sessions delivered by Company Compliance in 2024. 2. Obtain listing of personnel trained by Company's Compliance team across each training event in 2024. 3. Agree the 2024 number of personnel trained, and number of training events by Company Compliance team to the Transparency Report.	No differences noted
9	Communications	1. Obtain a report from the Company's central Compliance reporting tool of the Company's Compliance team's internal and external communication activities carried out in 2024. 2. Agree the Company's 2024 Compliance communication figures to the Transparency Report. 3. From a sample of 5 communication activities, selected at random from the report obtained in point 1 above, obtain documentation supporting the communications made.	No differences noted
10	Claims	1. Obtain a report from the Company's central Compliance reporting tool of Compliance claims received through ethics mailbox reporting channels, indicating for each claim whether it was admitted and the categorisation allocated to the claim. 2. Agree the Company's 2024 Compliance claims figures to the	No differences noted

		Transparency Report.	
11	Enquiries	1. Obtain a report from the Company's central Compliance reporting tool of Compliance enquiries received in 2024. 2. Agree the 2024 Compliance enquiries figures to the Transparency Report.	No differences noted
12	Accreditations	1. Obtain a report from the Company's central Compliance reporting tool of Compliance internal and external reviews received in 2024. 2. Agree the Company's 2024 Compliance accreditations to the Transparency Report.	No differences noted

Finding 1: We noted a difference of two conflicts of interests records between the Company's central Compliance reporting tool (Complete) and the figure reported in the 2024 Transparency Report (i.e. 165 vs 163). From our discussion with management, we understand that the difference relates to the record date in Complete. These two items were recorded in Complete on 31 December 2024 but are listed on the server in a time zone of the parent company that is 1 January 2025.

Our procedures, as stated in our agreement, did not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the 2024 Transparency Report in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures specified above and does not extend to any financial statements of the Company, taken as a whole.

We consent to the release of this report to Iberdrola Group to verify that a report by reporting accountants has been commissioned by the Compliance Unit of Scottish Power Limited without accepting or assuming any duty of care or responsibility on our behalf.

This report is solely for your confidential use in connection with the purpose specified above and as set out in the agreement. We do not owe nor accept any duty of care to any third party to whom our report is shown or into whose hands it may come, and specifically disclaim any liability for any loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Johnston Carmichael

Johnston Carmichael LLP
Chartered Accountants
London
17 July 2025

Compliance System Transparency Report 2024

ScottishPower Compliance Unit

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01.

Introduction

1. Introduction

Scottish Power Limited is part of the Iberdrola Group, one of the world's largest integrated utility companies and a world leader in wind energy.

ScottishPower was the first integrated energy company in the UK to generate 100% green electricity. Our focus is on affordable, clean energy, smart grids and driving the change to a cleaner, electric future, and we are investing over £18m every working day to make this happen.

We are committed to speeding up the transition to cleaner electric transport, improving air quality and over time, driving down bills - *to deliver a* *better future, quicker* *for everyone*.

For the purposes of this report, references to 'ScottishPower' or 'the Company' incorporate Scottish Power Limited and all its subsidiary companies (unless otherwise stated). References to 'Iberdrola' or 'the Group' are to Iberdrola S.A. and all the companies where it has a majority stake.

ScottishPower aims to ensure that its conduct, and that of the people associated with it, complies, and conforms to generally accepted ethical and sustainable development principles, as well as full compliance with the law and its own Governance and Sustainability System. In this regard, ScottishPower promotes a preventive culture based on the principle of "*zero tolerance*" towards the commission of illegal acts and all forms of fraud and corruption.

The Scottish Power Limited Board of Directors (the "ScottishPower Board") has adopted the Iberdrola Group Purpose and Values, which establishes the Group's approach to how it operates. The ScottishPower Board has also adopted the Iberdrola Code of Ethics, which is intended to serve as a guide for the actions of the directors, professionals, and suppliers of all the Group's companies.

> **ScottishPower promotes a preventive culture based on the principle of "zero tolerance" towards the commission of illegal acts and all forms of fraud and corruption.**

To reinforce the highest ethical standards established in its Governance and Sustainability System, ScottishPower, along with the other companies of the Iberdrola Group have established Compliance Systems, to foster a strong ethical culture and support compliance with law, regulation, and policy. The Compliance System includes all regulations, formal procedures, and material actions intended to ensure that the company acts in accordance with ethical principles and applicable law and to prevent improper conduct that may be committed by its professionals in the course of their activities.

In order to proactively ensure the effective operation of the established Compliance System, and following the model established by Iberdrola S.A., the Board of Directors of Scottish Power Limited created the Scottish Power Compliance Unit, an internal, permanent body, configured in accordance with the highest standards of independence and transparency linked to the Scottish Power Audit and Compliance Committee.

Similarly, the boards of directors of the ScottishPower Group sub holding companies have set up their own Compliance Units responsible for proactively and autonomously overseeing the sufficiency, implementation, and effectiveness of their respective Compliance System. Each sub holding Compliance Unit is linked to a consultative committee of their board with specific compliance-related duties, if established, or to its board of directors if it does not have one.

The functions of the Compliance Units include fostering a culture of ethical behaviour and 'zero tolerance' towards illegal or wrongful conduct or actions that conflict with ScottishPower's Governance and sustainability system. Additionally, the Compliance Units proactively and independently monitor the application and effectiveness of the compliance systems of their companies, without prejudice to the appropriate coordination conducted at Group level.

> **The Scottish Power Limited Compliance Unit is linked to the Scottish Power Limited Audit & Compliance Committee, an independent, consultative sub-committee of the Scottish Power Limited Board of Directors.**

This report includes the main actions, initiatives and measures developed, promoted, and adopted by the Scottish Power Limited Compliance Unit during 2024, which illustrate the functioning of the ScottishPower Compliance System and highlight its effectiveness.

02.

SP Compliance Unit

2. SP Compliance Unit

2.1 Composition and Duties of the Compliance Unit

Scottish Power Limited Compliance Unit

The Scottish Power Limited Compliance Unit (the "Unit") is an official, permanent and internal body, configured in accordance with the highest standards of independence and transparency, and linked to the Scottish Power Limited Audit and Compliance Committee (the "SP A&CC"), a consultative committee of the Scottish Power Limited Board. The Unit is the ScottishPower body responsible for proactively and independently ensuring the implementation and effectiveness of the ScottishPower Compliance System.

The structure, powers and duties of the Unit is established through the Regulations of the Compliance Unit of Scottish Power Limited ("the Regulations"). The Regulations were last revised and approved by the ScottishPower Board on 18 October 2023.

The members of the Unit are appointed by the ScottishPower Board, upon proposal of the SP A&CC, based on the following structure:

- **The Chair**, an external professional with an established reputation in compliance matters and no material link to the Company.

- **The members of the Unit**, one of whom is the ScottishPower Chief Compliance Officer (the "SP CCO"). Other members may include the heads of various ScottishPower departments or functions related to compliance risk management.

- **The Secretary** (non-member), a professional of the ScottishPower Legal Services area.

Every year, the Compliance Unit will prepare and submit an annual activity plan to the SP ACC for approval. The SP CCO manages the operation of the Unit and its budget and is responsible for executing the actions included in the annual activity plan for the Unit to act proactively and independently in performing its functions.

The SP CCO regularly reports to the Unit on the performance against the annual activity plan and any other relevant compliance activities, actions, and incidents. During 2024, there were five meetings of the Unit.

In turn, the Unit, represented by the SP CCO reports periodically to the SP A&CC on the most relevant aspects of the activities conducted by the Unit during the year. In 2024, the SP CCO attended five meetings of the SP A&CC.

ScottishPower Sub-holding Business Compliance Units

In addition to the ScottishPower Compliance Unit, each of the three operational businesses of ScottishPower (*Scottish Power Retail Holdings Ltd (SPRHL), Scottish Power Energy Networks Holdings Ltd (SPENHL) and ScottishPower Renewable Energy Ltd (SPREL)*), have their own business level Compliance Units, similar to ScottishPower's Compliance Unit.

Each of the business led Compliance Units are supported by their own Compliance Officer dedicated to each of the SPRHL, SPENHL, and SPREL businesses. The Compliance Officers are appointed by, and report to, their own Business Audit and Compliance Committee (in the case of SPENHL) or Business Board of Directors (in the case of SPRHL and SPREL).

The membership and reporting requirements of the ScottishPower Compliance Unit is replicated in the operational business Compliance Units, and operational business level Compliance System activity is consolidated into reporting at the ScottishPower Compliance Unit level to provide a ScottishPower-wide view of activity.

Regular updates to relevant governance fora are a key aspect of ensuring awareness and ongoing monitoring of the Compliance System. In 2024, there were 70 Compliance Officer appearances before respective governance fora across the ScottishPower group of companies.

2.2 Budgets and Resources

Article 17 of the Regulations establishes that the Unit *"shall have the material and human resources necessary to perform its duties"*. On an annual basis, the ScottishPower Limited Audit and Compliance Committee approve the external services budget of the Unit for the coming year, providing the necessary autonomy and independence for the exercise of its functions. The Audit and Compliance Committee will also approve any increase to the human resources (FTE) of the Unit, where a need is identified.

External services budget for 2024 was £553k. The total 2024 human and material ScottishPower Compliance Unit resource costs were £1.27m.

At year-end 2024, seven professionals (6.8 full time equivalents) were in place to support the operation of the Unit (the "SP Compliance Team"). These Compliance professionals bring a wide range of experience in compliance, control, risk management, audit, regulation and business assurance activities, and a thorough knowledge of both the company and the wider energy industry.

Seven professionals, with a breadth of business and compliance expertise, independence, and seniority, exclusively dedicated to compliance duties.

The ScottishPower Chief Compliance Officer ("SP CCO") is supported in managing the operation of the Unit and the Compliance System by three professionals in the central ScottishPower corporate team and three full time Business Compliance Officers, who perform the duties to support each of the core ScottishPower business Compliance Units (SPRHL, SPENHL, and SPREL) (collectively 'the SP Compliance Team').

2.3 Professional Qualifications

The members of the respective ScottishPower Compliance Units, their Chairpersons, their Compliance Officers, and the other professionals who work in the SP Compliance Team have proven knowledge, experience, and skills to perform their duties.

In addition, at the end of 2024, five of the seven active members of the SP Compliance Team held and maintained the Compliance and Ethics Professional International (CCEP-I) certification, issued by the Compliance Certification Board (CCB) of the Society of Corporate Compliance and Ethics (SCCE). The remaining two individuals, both of whom joined Compliance in the second half of 2024, will seek to obtain the accreditation in 2025.

The training and update of knowledge of compliance professionals is an essential element of the Compliance Systems. A variety of professional training was undertaken by each of the SP Compliance Team throughout 2024 to maintain professional qualifications and increase awareness and understanding of applicable ethics and compliance related developments. Across 2024, the SP Compliance Team recorded 73.45 hours of training on various ethics and compliance activities. This included attendance at in-person training events, virtual workshops, conferences and webinars, and completion of mandatory internal employee-training courses.

In 2024 the SP Compliance Team recorded 73.45 compliance training hours, averaging 10 hours per person.

03.

Compliance Risk Analysis & Assessment

3. Compliance Risk Analysis & Assessment

The Unit maintains an established compliance risk assessment process, covering an assessment of the material compliance risks facing the ScottishPower business, the likelihood of materialisation of each risk, and the impact that such materialisation would have.

The inventory of risks was developed at Iberdrola Group level and is used by the Compliance Units of each of the Iberdrola sub-holding companies, to ensure consistency in approach.

Risks relevant to ScottishPower are grouped in two broad categories: crime prevention and separation of activities. Typically, the Scottish Power Risk Assessment will focus on the criminal risk categories, either collectively or with particular focus on specific categories.

An inventory of the crime prevention risks covered in the risk assessment can be found in the table below. In 2024 the Risk Assessment activity focussed primarily on the Corruption and fraud risk category, with an in-depth Bribery Risk Assessment being conducted.

Risk Inventory: Crime Prevention	
Corruption and fraud	Competition
Money laundering and terrorism funding	Falsification of public information
International Sanctions	Data protection
Embezzlement	Cybercrimes
Permits, licenses, and authorisations	Trade Secrets
Criminal insolvency	Workers' rights
Smuggling	Hindering external oversight
Intellectual and industrial property	Facility safety, environment & public health
Conduct in the Securities Market	Consumer protection
Fraud against Public Administrations & Social Security	Health & Safety
Supply Chain	Discrimination
Harassment	

Each of the SP Compliance Officers analyses the risks in their respective businesses to develop and update their local compliance risk map, collaborating with professionals from across the Business to understand the risk factors and relevant responses. The main mitigating controls are identified and, where relevant and appropriate, improvement actions are proposed to reinforce the effectiveness of these controls.

The output of the Risk Assessment is communicated to local management and Governance Committees. The update of the wider Compliance Risk Assessment will also influence the ScottishPower Crime Prevention Programme, which is completed on an annual basis and incorporates the evidencing of controls.

The compliance risk maps of each company are periodically updated by their respective Compliance Officers to ensure they remain up-to-date and reflective of the current environment.

04.

Policy Framework

4. Policy Framework

Written policies and procedures are foundations of an effective compliance programme, enabling a business to meet regulatory requirements, identify risk mitigation controls, and define roles and responsibilities for compliance.

The ScottishPower Compliance Unit will establish and maintain Compliance Policies and Procedures to support the effective operation of the Compliance System across ScottishPower, as defined in the Regulations.

These documents are periodically reviewed to identify any necessary amendments or improvements. Periodic updates are designed to reflect:

- New policies, protocols or other governance changes notified by Iberdrola S.A.

- Changes in external legislation in the UK.

- Relevant changes in ScottishPower business processes; and / or

- Findings from external legal / compliance reviews or Internal Audit reports.

The SP Compliance Unit have an internal Policy Management Framework in place to apply a more formal approach, strengthen governance, and assure that SP Compliance Unit policies, procedures and guidelines are consistent, accessible, fit-for-purpose, and reviewed at an appropriate frequency. This Framework was maintained in 2024.

The key aspects of the internal Policy Management Framework include:

- Policy Management Framework documented and formalised.

- Internal rules established to ensure Compliance Unit documents: Are centrally administered; Follow a common format, look & feel; Are centrally stored and accessible; and follow agreed approval processes.

- A 4-tier documentation hierarchy, developed to define documents based on type of information and intended audience.

- An inventory for the centralised view of all active ScottishPower Compliance Unit documents and the agreed frequency of review.

Material changes to relevant documents will be highlighted to the ScottishPower Audit & Compliance Committee and, where required, proposed for ScottishPower Limited Board approval.

The table below provides a list of the active Level 1, 2 and 3 ScottishPower Compliance Unit Policies and procedures as at year-end 2024:

Hierarchy Level	Document Name
Level 1 - Code	Iberdrola Code of Ethics
	Iberdrola Supplier Code of Ethics
	SP Code of Conduct & Disciplinary Rules
Level 2 - Policy	Policy on Anti-Bribery & Corruption
	Policy on Business Separation
	Policy on Competition Law Compliance
	Policy on Modern Slavery
Level 3 - Procedures	Compliance & Ethics Manual
	Speaking Out Toolkit
	Competition Law Compliance Manual
	Procurement Guidance – Compliance Risk & Considerations
	Sponsorships, Donations & Social Contributions
	Compliance Review & Approach: Legal Consultancy
	Compliance Background Checks Procedure
	Sanctions Procedure including Escalations Process

In 2024, each of the ScottishPower Compliance Unit-owned level 2 policy documents were reviewed and updated, in line with the framework schedule. No amendments to the key principles were recommended, with only minor updates made to document references and the Speaking Out contact options. The revised Policies were reviewed and noted by the ScottishPower Audit & Compliance Committee in December 2024 and approved by the ScottishPower Limited Board in the same month.

In addition, to further strengthen the Speaking Out framework, a new digital, interactive Speaking Out Toolkit was developed and rolled out across ScottishPower, offering the reader guidance and support through every step of the Speaking Out journey.

05.

Risk Management

5. Risk Management

5.1 Third Parties

The ScottishPower Anti-Bribery and Corruption Policy states that ScottishPower will conduct appropriate due diligence on third parties and assess them for risks of fraud and corruption. This includes assessment prior to a third party registering to be a supplier with ScottishPower and prior to the contracting process.

ScottishPower takes a risk-based approach to third party risk assessment, focusing on activities or third-party types that might present a greater fraud or corruption risk to the organisation. The ScottishPower Compliance and Ethics Manual sets out specific areas of business activity where due diligence must be completed by the ScottishPower Compliance Unit (the "Unit"). These include:

- *Procurement of Goods and Services:*
    - Contracts valued >€10m.
    - Contracts for Agents or Intermediary Services
    - Contracts for Consultancy.
    - Contracts with Government, Government Agency, or Public Bodies.

- *New Business Development:*
    - Acquisition or divestment of an interest,
    - Setting up a new Joint Venture,
    - Other Corporate Transactions.

- *Other higher Compliance Risk areas:*
    - Collaboration Agreements with one or more external parties (which may not always be formal legal partnerships).
    - Research and innovation expenditure which is not subject to a competitive tender process.
    - Funding of donations, sponsorships, or social contributions.
    - Employee membership of the governing bodies of trade associations or external Boards.
    - Onboarding of new vendors located in high-risk countries.
    - Where an employee and/or a Third Party has a Conflict of Interest with their duties, or the services being provided.
    - A third party that has been flagged as having a higher compliance risk.

The third-party risk assessment considers, among other matters:
- Links with countries considered, by the Iberdrola Group Compliance Unit, to be above a certain level of risk.
- International Sanctions.
- Adverse news or incidents related to:
    - Human rights.
    - Modern slavery and child labour.

- Corruption and bribery.
- Anti-competitive practices.
- Other irregularities and unlawful conduct.
- Links with persons with public responsibility or public entities.

Based on the third-party risk assessment, the Unit rates the fraud and corruption risk of each supplier, recording this rating in the global Compliance system.

- If the risk exceeds a standard level, the Unit will monitor all transactions intended to be entered into with that supplier.
- Suppliers considered to be above acceptable risk are classified as critical risk and blocked in the systems, preventing the formalisation of any transaction or payment with that vendor.

596 third party risk assessments were conducted by the ScottishPower Compliance Unit in 2024

In 2024, the Unit conducted 596 third party risk assessments. Of the 596 assessments completed, 503 (84%) were assessed as standard risk, and 86 (14%) were identified as Higher-than-normal risk, with ongoing vendor monitoring implemented. Seven third parties (1%) were flagged as critical compliance risk through the year.

2024 Due Diligence Reviews - Risk

- Standard Risk (503)
- Higher than normal risk (86)
- Critical Risk (7)

14%

84%
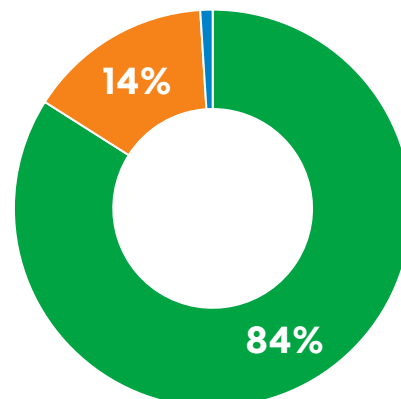
After the initial screening of third parties upon registration, ScottishPower suppliers are screened daily through third party fraud and corruption databases, co-ordinated at Group level. Iberdrola's Compliance Unit will triage all alerts identified through these databases, clearing false matches, and prioritising those alerts which need to be analysed. The Unit is alerted to new developments concerning ScottishPower suppliers which require further analysis. These alerts are analysed to, where applicable, update the third-party risk assessment and take appropriate action.

5.2 Professionals

Background Checks

The Company conducts background checks on employees as appropriate to their role and employment status. For example, new employee checks, including fitness to work, are conducted for all individuals joining the Company. Background checks are conducted by a specialist third party on behalf of the ScottishPower People and Organisation function ("SP P&O").

To support this and in recognition of best practice, the Unit, working with SP P&O, perform a ScottishPower-wide process to conduct compliance risk background checks on all senior level internal and external appointments. The Unit conducted 108 background checks of relevant professionals in 2024 to consider their suitability from the perspective of Compliance.

Conflicts of Interest

In accordance with the provisions of the Code of Ethics, employees are obliged to report, in writing, any conflict-of-interest (COI) situations in which they find themselves.

In 2024, the Unit collected 163 declarations of COI. (Eighty-six proactive COI declarations and seventy-seven declarations in response to annual COI exercises). None of these were considered serious or material matters. Appropriate recommendations were made in twenty cases to mitigate any compliance risks associated with the conflicts of interest identified.

Related Party Transactions

The ScottishPower Limited Board Procedure for Related-Party Transactions (approved 9 December 2021) creates obligations on Board Directors and Senior Managers (as defined) to report relevant Related Party Transactions to the Unit for review and approval, in advance of conducting the transaction. Article 3(2)(i) of the ScottishPower Audit and Compliance Committee Terms of Reference (approved 11 July 2023) places a responsibility on the Committee to report on any Related Party Transactions relevant to the ScottishPower Board and ensure that they are fair and reasonable.

In 2024 the Unit identified all relevant Directors and members of Senior Management and made them aware of their requirements. The Unit collected sixty-four declarations from the relevant personnel. On review of the submissions made, no relevant related party transactions were identified. The Compliance Officers for each of the ScottishPower Businesses provided a report on this to their relevant Governance Bodies.

Gifts & Hospitality

The giving and receiving of gifts and hospitality can be a significant risk factor for Bribery and Corruption because they can influence the independent decision making of the recipient. In line with the Code of Ethics and Anti-Bribery and Corruption Policy, gifts and hospitality must be appropriate, reasonable and of minimal value. They must also not be aimed at influencing

the recipient in any way. The SP Code of Conduct and Disciplinary Rules states that details of any gifts received over £25 in value or hospitality over £50 in value should be reported promptly to the SP Compliance Unit for final review and approval.

A total of 517 offers of gifts and hospitality were reported to SP Compliance in 2024, with recommendations or advice provided by Business Compliance Officers as required.

5.3 ECCTA and Failure to Prevent Fraud

The Economic Crime and Corporate Transparency Act 2023 (ECCTA) introduced a new offence of failure to prevent fraud (FTP Fraud Offence) for large organisations, as part of a wider reform of corporate criminal liability. Under the offence, an organisation may be criminally liable where an employee, agent, subsidiary, or other "associated person," commits a fraud intending to benefit the organisation.

An organisation has a defence against the FTP Fraud Offence if it can prove that it had reasonable prevention procedures in place (i.e. procedures designed to prevent associated persons from committing fraud offences). Following publication of the Home Office Guidance on the FTP Fraud Offence, the new offence will come into effect on 1 September 2025.

In 2024, the Unit engaged an external legal firm to support in a preparedness assessment ahead of the new offence coming into effect. A current state assessment was completed, alongside a deep-dive risk identification workshop. Preparedness activity will continue into 2025.

5.4 Artificial Intelligence

The Company has a Policy on the responsible use of artificial intelligence tools, which establishes the principles that must govern the design, development, and application of artificial intelligence tools, as well as the responsible use of these tools. The policy principles include:

- Respect for human beings and social wellbeing.
- Equal opportunity and non-discrimination.
- Culture of innovation.
- Privacy.
- Transparency.
- Security and resilience.
- Training and awareness-raising.

In 2024, a governance group led by Digital Transformation was set up within ScottishPower to support the implementation of the framework and ensure the attainment of the goals established in the policy. The governance Group includes representation from Compliance, Internal Audit and Legal Services, among others.

06.

Separation of Activities

6. Separation of Activities

The licence conditions imposed on ScottishPower Transmission and Distribution businesses by Ofgem include a number of obligations relating to separation of activities between electricity network businesses and competitive energy activities ("Business Separation Requirements"). Business Separation Requirements are placed on SP Energy Networks ("SPEN") to operate the Transmission and Distribution businesses independently from other parts of ScottishPower. This includes obligations to ensure:

- Full managerial and operational separation of SPEN from any other ScottishPower business or ScottishPower company.
- Non-disclosure of confidential SPEN information to any other ScottishPower business or ScottishPower company.
- Segregation of IT systems that contain SPEN data from any other ScottishPower business or ScottishPower company.
- Restricted access to premises occupied by SPEN or shared between SPEN and any other ScottishPower business or ScottishPower company.
- Prohibition of cross subsidies between SPEN and any other ScottishPower business or ScottishPower company.
- Non-discrimination of metering and connection services and charges across all suppliers and competitors.
- Separate branding from any other ScottishPower business or company.
- The appointment of a Compliance Officer to facilitate compliance with, amongst other things, the Business Separation Requirements.

ScottishPower has a Business Separation Policy which establishes the ScottishPower Business Separation compliance framework, and SPEN has appointed an external, independent, third-party Business Separation Compliance Officer to monitor the effectiveness of the controls in place to meet the licence obligations.

The SPEN Business Compliance Officer, in collaboration with the SPEN Assurance Team, supports the business in the provision of advice and guidance in relation to business separation. Across 2024, proactive engagement has taken place with numerous groups across the ScottishPower business to ensure compliance with Business Separation Requirements. The ScottishPower Chief Compliance Officer has also maintained an oversight role for compliance with the Business Separation obligations.

In 2024 ScottishPower launched a new online course covering the key aspects and requirements of Business Separation. 3,490 workers completed the course in 2024. This data was not captured within SP Compliance training numbers for 2024; however, completion rates were monitored by the ScottishPower People & Organisation function.

In July 2024, the ScottishPower Chief Compliance Officer reported to the ScottishPower Limited Audit and Compliance Committee that the business separation compliance framework was effective for the 2023/24 compliance year.

07.

Ethical Culture

7. Ethical Culture

7.1 Training, Communications and Awareness

Employee training and awareness is a cornerstone of an effective ethics and compliance programme. The ScottishPower Compliance Unit Training and Communications Strategic Plan sets out the main principles and approach to training and communications activity. This is underpinned by the Training and Communications Road Map, a multi-year, risk-based view of planned and delivered ethics and compliance training and communications activity across the ScottishPower business. The Road Map is reviewed and updated periodically to ensure planned content is timely, relevant, appropriate to the audience, and has a focus on the areas of higher compliance risk across the organisation.

Training

Training is defined as material designed to educate and / or build knowledge on the compliance programme in general, or specific elements of the compliance programme, and to influence behaviours and actions. This will cover bespoke training (face to face / in person or online) designed to address specific risks or knowledge requirements for business areas or individuals, or guidance sessions to reaffirm related processes or procedures.

Training methods incorporate a mix of online and in-person training. Online training is designed to be more general, aimed at ensuring that all employees are aware of their obligations under the Code of Ethics and of ScottishPower's zero tolerance approach to bribery and corruption. The online training is supplemented by risk-based targeted training, depending on roles, responsibilities or relevant developments in core ethics and compliance areas.

In 2024, 1,789 employees undertook Compliance training, across 52 events. Counting each attendance individually, the total number of attendees trained in 2024 was 2,449.

The focus for 2024 ethics and compliance training activity was on inducting the large volume of new starts in the key aspects of compliance and ethics and the ScottishPower Compliance programme, mop-up of completion for the online Compliance and Ethics training course, alongside risk-based targeted events such as training for Ethics Liaisons and Procurement.

Communications and Awareness

Communications activity includes any business-wide or targeted activity, designed to raise awareness on general or specific aspects of compliance activity. It includes updates on the compliance programme, or elements of the compliance programme, to groups of the employee base, to make them aware of new or updated programme information. In delivering communications and awareness activities, the Unit aim to utilise the range of tools available to vary the tone and format of messages and to help drive uptake and absorption rates. All communications also continue to incorporate the Unit 'Look and Feel' and 'Sustainable, Ethical Working' strapline, which was developed to bring a continuity of message and build recognition of the function over time.

In 2024, 41 communications were issued, across a range of ethics and compliance subject areas.

Communications activity is delivered across a number of different mediums, including email, in-person briefings by the Business Compliance Officers, the Employee Portal, Iberdrola News, video blog, digital screen animations, the Buzz Internal Communications application, and Yammer, the internal social media platform. Key 2024 initiatives included:

- Launch of the new digital, interactive Speaking Out Toolkit.
- Reminder of Business Separation requirements and launch of training course.
- Promotion of the global ethics survey.
- Bi-annual release of the Speaking Out Ethics Mailbox report.
- Communication of Compliance and Ethics overview slides to new starts.
- All employee email on international anti-corruption day with guidance on actions that can be taken to maintain a zero-tolerance approach to bribery and corruption.

7.2 Ethics Liaisons

The Unit has an established network of Ethics Liaisons across ScottishPower to support the Unit in promoting ethical culture; provide feedback to the Unit on priority programme initiatives; provide local insight to the Unit on culture, perceptions, and current issues; and direct employees to ethics and compliance rules, personnel, and resources.

In 2024, 11 meetings were held with the respective Ethics Liaisons populations across the ScottishPower business units and a further seven communications to the Ethics Liaisons populations were recorded. The Ethics Liaisons continue to contribute to and promote activities within their business area that will promote ethical culture and to act as a signpost to the Unit on all relevant compliance and ethics matters.

7.3 Ethical Culture Survey

In 2024, the Iberdrola Group Compliance Units conducted the two-yearly Ethical Culture Survey aimed at measuring the ethical culture across the business and monitoring its evolution over time. The survey, which is anonymous and voluntary and addressed to all staff, covers the following aspects:

1. Knowledge of the compliance system.	4. Pressure to commit irregularities.
2. Perception of the compliance function.	5. Organisational justice.
3. Irregularities observed and reported.	6. Perception of the integrity of colleagues, managers, and senior management.

For ScottishPower, while the 2024 response rate was lower than in previous years, the survey results indicated a positive improvement in scores from the 2022 survey. Of note was a good awareness of compliance policies and how to report ethical concerns, an overall positive intention to report ethical concerns, and a positive view of peers and senior leadership as promoters of ethical conduct. Actions for continual improvement have been captured in the 2025 ScottishPower Compliance Unit Activity Plan.

08.

Ethics Mailbox

8. Ethics Mailbox

The ScottishPower Compliance Unit (the "Unit") advertise and maintain numerous formal routes for Speaking Out over any activity or event which that person believes may be in breach of the Code of Ethics or other internal rules or procedures, or in violation of the law ("Claims").

In addition to Speaking Out, these channels are available to raise questions or queries on aspects relating to the interpretation of, and compliance with, the Code of Ethics or any other relevant compliance matter ("Enquiries").

All communications received through these channels are considered confidential and, in the case of Claims, can be made anonymously. ScottishPower does not tolerate retaliation, in any form, against anyone who speaks out in good faith.

In 2024, a total of 397 notifications were submitted through the Ethics Mailbox (61 Claims and 336 Enquiries).

Based on the Ethics Mailbox communications received during the year through this channel (or other available channels including email or via Human Resources), no claims accepted for processing in 2024 had a significant financial or accounting impact, and there were zero serious or sensitive matters identified or reported to the ScottishPower Limited Audit & Compliance Committee or Iberdrola Compliance Unit.

8.1 Claims

ScottishPower actively encourages anyone who has a concern about illegal or unethical behaviour or activity that breaches the Code of Ethics, to report those concerns to the Compliance Unit, through any of the established Speaking Out routes.

A total of sixty-one claims were received by the ScottishPower Compliance Unit in 2024 (versus forty-five to end 2023). Of these, forty-three were admitted for processing (further investigation) by year end, and six admitted for processing in 2025. A further twelve were investigated but dismissed.

The top root cause categories were: fifteen related to Inappropriate behaviour. among employees, six related to Conflicts of Interest and six related to Health and Safety. The remaining claims were spread across a range of other categories, including theft, Inappropriate behaviour with vendors. and discrimination

2024 ETHICS MAILBOX CLAIMS

- Inapprop. behaviour - employees (15)
- Conflict of interest (6)
- Health & safety (6)
- Discrimination (3)
- Inapprop. behaviour - vendors (3)
- Theft (3)
- Outside activities (2)
- Sexual harassment (2)
- Inapprop. behaviour with clients (2)
- Other (sum of residual 7 categories) (7)

Pie chart values: 31%, 12%, 12%, 6%, 6%, 6%, 4%, 4%, 4%, 15%
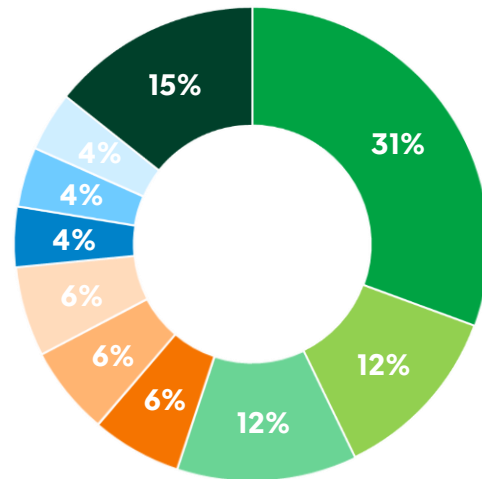
8.2 Enquiries

The ScottishPower Compliance Unit also receive and manage enquiries - requests for advice and guidance on how to manage a compliance or ethical dilemma. The opportunity to engage with the business through enquiries is invaluable, allowing advice and guidance to be provided to individuals across the business, in addition to the implementation of corrective action(s) where necessary, thereby preventing wider compliance issues from arising.

A total of 336 enquiries were recorded in 2024, which is a significant increase on the 258 reported in 2023. The main categories of enquiries related to Conflict of Interest, Gifts & Hospitalities, Separation of Activities and Data privacy & Cybersecurity.

09.

Monitoring & Review

9. Monitoring & Review

9.1 Monitoring Indicators

On a frequent basis, the ScottishPower Compliance Unit supervises the effectiveness of the compliance system of the ScottishPower Group companies by reviewing the indicators of the main compliance risks, the effectiveness of the Unit's activity, and the Key Performance Indicators. The indicators cover the following aspects, among others:

- Operations in countries considered by the compliance function to be above a certain level of risk.
- Third-party risk assessments.
- Ethics mailbox activity.
- Monitoring higher risk operations.
- Training activities.
- Internal and external communication initiatives.
- Conflicts of interest.
- Employee background checks
- Gifts and hospitality given and received by professionals.
- Legal proceedings involving professionals.
- Audits and reviews of the Group companies' compliance systems.

9.2 Internal Audit

ScottishPower Internal Audit ("SP IA"), as an independent function, will conduct periodic audits of the compliance system of the ScottishPower Group companies, as required under their risk-based audit approach. A coordinated assurance approach to the monitoring of the compliance system has been developed.

In 2024 the ScottishPower Compliance programme was the subject of two Internal Audits. Additionally, the SP Chief Compliance Officer maintained regular engagement with the ScottishPower Internal Audit Director throughout 2024, to provide regular programme updates and areas of assurance over the ScottishPower Compliance programme:

- **Compliance Function & Ethics Mailbox Communications**
  As part of a global audit of the Compliance Units across the Iberdrola Group, SP IA conducted a review of compliance with the requirements of the Compliance Regulations and the management of communications received through the established ethics mailbox reporting routes.

- **How We Audit Compliance (HWAC) 2024**
  HWAC is a mandatory audit work on the ScottishPower Internal Audit plan, which sets out the agreed HWAC approach. In 2024, SP IA completed the agreed activity.

Any recommendations and improvement areas identified through SP IA reviews are captured in the ScottishPower Compliance Unit activity plan and addressed through delivery.

9.3 Accreditations and External Reviews

ScottishPower's compliance system retained two external accreditations through 2024:

- **Ethisphere Compliance Leader Verification (CLV)**

The Ethisphere Institute is a global leader in defining and advancing the standards of ethical business practices and offers the CLV, a globally recognised external accreditation, for organisations whose compliance programmes meet a range of best practice standards.

ScottishPower was originally awarded full CLV accreditation in 2021. In 2024, ScottishPower completed their third biennial assessment with Ethisphere confirming continued improvement in the overall CLV score, exceeding expected industry standards in four of the six assessment categories, and meeting those standards in the remaining two. The CLV award is in place until early 2026, when ScottishPower will next be reassessed.

- **ISO 37001 (Anti-Bribery Management Systems)**

ISO 37001 is the International Standard that allows organisations of all types to prevent, detect and address bribery by adopting a robust anti-bribery management system.

ScottishPower first achieved ISO 37001 accreditation in 2019 and successfully retained the accreditation following reassessment by a new accreditation body in 2023. ScottishPower continued to retain the accreditation following completion of the 2024 ISO 37001 surveillance audit.

In addition, the ScottishPower compliance system was the subject of two additional external reviews in 2024:

- **Effectiveness of the SP Criminal Risk Mitigation Programme**

The ScottishPower Crime Prevention Programme ("CPP") was subject to external assessment by a leading UK legal firm. The review concluded that the programme continues to "*be designed with the intention of mitigating the risk of criminal offences being committed by or on behalf of ScottishPower; be proportionate and risk-based in its approach, with due focus on the relevant policies and procedures in place for each offence category; and consist of key elements that we would expect to see in a programme of this kind*".

In April 2024, the Chief Compliance Officer reported to the ScottishPower Limited Audit and Compliance Committee on the overall assessment of the effectiveness of the CPP, stating the CPP continued to be effective for the previous calendar year.

- **Assessment of General Data Protection Regulation Compliance**

Under the Iberdrola Group data protection framework, all functions that process personal data are required to be assessed every 3 years on compliance with the obligations associated with the EU General Data Protection Regulation ("GDPR").

The 2024 assessment of the ScottishPower Compliance Unit by an appointed external third party recorded a score of 95.3% compliance with the obligations set out under GDPR. An action plan to address opportunities for improvement has been developed with implementation of actions in progress.

10.

Dissemination & Promotion of Business Ethics

10. Dissemination & Promotion of Business Ethics

The ScottishPower Compliance Unit participates in initiatives and groups designed to promote and support business ethics on a more general scale, including in our supply chain and in business more generally. In 2024 this included:

- **Institute of Business Ethics**

  Support for the Institute of Business Ethics (IBE), a community of individuals and organisations committed to promoting high standards of business conduct based on ethical values, as Large Corporate Supporter.

  Work conducted by the IBE promotes good ethical business practice and allows for the sharing – and addressing – of common challenges in the implementation of an effective organisational commitment to ethics.

- **Slave Free Alliance**

  Renewing our membership of the Slave Free Alliance. The Slave-Free Alliance is a limited company that is part of the Hope for Justice Charity, working in collaboration with businesses to enhance and support their wider framework around ethical trade, sustainability, compliance, corporate social responsibility, and human rights.

  The core objective of Slave-Free Alliance is to support businesses to work towards an organisation and supply chain that is free from slavery.

ScottishPower Compliance Unit
July 2025